

**AMENDMENT IN THE NATURE OF A SUBSTITUTE**  
**OFFERED BY MR. THOMAS**

Strike all after the enacting clause and insert the following:

**1 SECTION 1. SHORT TITLE.**

2 (a) SHORT TITLE.—This Act may be cited as the  
 3 “Energy Tax Policy Act of 2003”.

4 (b) AMENDMENT OF 1986 CODE.—Except as other-  
 5 wise expressly provided, whenever in this Act an amend-  
 6 ment or repeal is expressed in terms of an amendment  
 7 to, or repeal of, a section or other provision, the reference  
 8 shall be considered to be made to a section or other provi-  
 9 sion of the Internal Revenue Code of 1986.

**10 (c) TABLE OF CONTENTS.—**

Sec. 1. Short title.

**TITLE I—CONSERVATION**

Sec. 101. Credit for residential solar energy property.

Sec. 102. Extension and expansion of credit for electricity produced from renewable resources.

Sec. 103. Credit for qualified fuel cell power plants.

Sec. 104. Credit for energy efficiency improvements to existing homes.

Sec. 105. Business credit for construction of new energy efficient home.

Sec. 106. Energy credit for combined heat and power system property.

Sec. 107. New nonrefundable personal credits allowed against regular and minimum taxes.

Sec. 108. Repeal of 4.3-cent motor fuel excise taxes on railroads and inland waterway transportation which remain in general fund.

Sec. 109. Reduced motor fuel excise tax on certain mixtures of diesel fuel.

Sec. 110. Repeal of phaseouts for qualified electric vehicle credit and deduction for clean fuel-vehicles.

Sec. 111. Alternative motor vehicle credit.

**TITLE II—RELIABILITY**

Sec. 201. Natural gas gathering lines treated as 7-year property.

## 2

- Sec. 202. Natural gas distribution lines treated as 15-year property.
- Sec. 203. Electric transmission property treated as 15-year property.
- Sec. 204. Expensing of capital costs incurred in complying with Environmental Protection Agency sulfur regulations.
- Sec. 205. Credit for production of low sulfur diesel fuel.
- Sec. 206. Determination of small refiner exception to oil depletion deduction.
- Sec. 207. Sales or dispositions to implement Federal energy regulatory commission or State electric restructuring policy.
- Sec. 208. Modifications to special rules for nuclear decommissioning costs.
- Sec. 209. Treatment of certain income of cooperatives.
- Sec. 210. Arbitrage rules not to apply to prepayments for natural gas.
- Sec. 211. Prepayment of premium liability for coal industry health benefits.

## TITLE III—PRODUCTION

- Sec. 301. Oil and gas from marginal wells.
- Sec. 302. Temporary suspension of limitation based on 65 percent of taxable income and extension of suspension of taxable income limit with respect to marginal production.
- Sec. 303. Amortization of delay rental payments.
- Sec. 304. Amortization of geological and geophysical expenditures.
- Sec. 305. Extension and modification of credit for producing fuel from a non-conventional source.
- Sec. 306. Business related energy credits allowed against regular and minimum tax.
- Sec. 307. Temporary repeal of alternative minimum tax preference for intangible drilling costs.
- Sec. 308. Allowance of enhanced recovery credit against the alternative minimum tax.

## TITLE IV—CORPORATE EXPATRIATION

- Sec. 401. Tax treatment of corporate expatriation.
- Sec. 402. Expressing the sense of the Congress that tax reform is needed to address the issue of corporate expatriation.

- 1 **TITLE I—CONSERVATION**
- 2 **SEC. 101. CREDIT FOR RESIDENTIAL SOLAR ENERGY PROP-**
- 3 **ERTY.**
- 4 (a) IN GENERAL.—Subpart A of part IV of sub-
- 5 chapter A of chapter 1 (relating to nonrefundable personal
- 6 credits) is amended by inserting after section 25B the fol-
- 7 lowing new section:

1 **“SEC. 25C. RESIDENTIAL SOLAR ENERGY PROPERTY.**

2 “(a) ALLOWANCE OF CREDIT.—In the case of an in-  
3 dividual, there shall be allowed as a credit against the tax  
4 imposed by this chapter for the taxable year an amount  
5 equal to the sum of—

6 “(1) 15 percent of the qualified photovoltaic  
7 property expenditures made by the taxpayer during  
8 such year, and

9 “(2) 15 percent of the qualified solar water  
10 heating property expenditures made by the taxpayer  
11 during the taxable year.

12 “(b) LIMITATIONS.—

13 “(1) MAXIMUM CREDIT.—The credit allowed  
14 under subsection (a) shall not exceed—

15 “(A) \$2,000 for each system of property  
16 described in subsection (c)(1), and

17 “(B) \$2,000 for each system of property  
18 described in subsection (c)(2).

19 “(2) SAFETY CERTIFICATIONS.—No credit shall  
20 be allowed under this section for an item of property  
21 unless—

22 “(A) in the case of solar water heating  
23 equipment, such equipment is certified for per-  
24 formance and safety by the non-profit Solar  
25 Rating Certification Corporation or a com-  
26 parable entity endorsed by the government of

1 the State in which such property is installed,  
2 and

3 “(B) in the case of a photovoltaic system,  
4 such system meets appropriate fire and electric  
5 code requirements.

6 “(c) DEFINITIONS.—For purposes of this section—

7 “(1) QUALIFIED SOLAR WATER HEATING PROP-  
8 erty expenditure.—The term ‘qualified solar  
9 water heating property expenditure’ means an ex-  
10 penditure for property to heat water for use in a  
11 dwelling unit located in the United States and used  
12 as a residence if at least half of the energy used by  
13 such property for such purpose is derived from the  
14 sun.

15 “(2) QUALIFIED PHOTOVOLTAIC PROPERTY EX-  
16 penditure.—The term ‘qualified photovoltaic prop-  
17 erty expenditure’ means an expenditure for property  
18 that uses solar energy to generate electricity for use  
19 in a dwelling unit.

20 “(3) SOLAR PANELS.—No expenditure relating  
21 to a solar panel or other property installed as a roof  
22 (or portion thereof) shall fail to be treated as prop-  
23 erty described in paragraph (1) or (2) solely because  
24 it constitutes a structural component of the struc-  
25 ture on which it is installed.

1           “(4) LABOR COSTS.—Expenditures for labor  
2           costs properly allocable to the onsite preparation, as-  
3           sembly, or original installation of the property de-  
4           scribed in paragraph (1) or (2) and for piping or  
5           wiring to interconnect such property to the dwelling  
6           unit shall be taken into account for purposes of this  
7           section.

8           “(5) SWIMMING POOLS, ETC., USED AS STOR-  
9           AGE MEDIUM.—Expenditures which are properly al-  
10          locable to a swimming pool, hot tub, or any other  
11          energy storage medium which has a function other  
12          than the function of such storage shall not be taken  
13          into account for purposes of this section.

14          “(d) SPECIAL RULES.—

15               “(1) DOLLAR AMOUNTS IN CASE OF JOINT OC-  
16          CUPANCY.—In the case of any dwelling unit which is  
17          jointly occupied and used during any calendar year  
18          as a residence by 2 or more individuals the following  
19          shall apply:

20                   “(A) The amount of the credit allowable  
21                  under subsection (a) by reason of expenditures  
22                  (as the case may be) made during such cal-  
23                  endar year by any of such individuals with re-  
24                  spect to such dwelling unit shall be determined

1 by treating all of such individuals as 1 taxpayer  
2 whose taxable year is such calendar year.

3 “(B) There shall be allowable with respect  
4 to such expenditures to each of such individ-  
5 uals, a credit under subsection (a) for the tax-  
6 able year in which such calendar year ends in  
7 an amount which bears the same ratio to the  
8 amount determined under subparagraph (A) as  
9 the amount of such expenditures made by such  
10 individual during such calendar year bears to  
11 the aggregate of such expenditures made by all  
12 of such individuals during such calendar year.

13 “(2) TENANT-STOCKHOLDER IN COOPERATIVE  
14 HOUSING CORPORATION.—In the case of an indi-  
15 vidual who is a tenant-stockholder (as defined in sec-  
16 tion 216) in a cooperative housing corporation (as  
17 defined in such section), such individual shall be  
18 treated as having made his tenant-stockholder’s pro-  
19 portionate share (as defined in section 216(b)(3)) of  
20 any expenditures of such corporation.

21 “(3) CONDOMINIUMS.—

22 “(A) IN GENERAL.—In the case of an indi-  
23 vidual who is a member of a condominium man-  
24 agement association with respect to a condo-  
25 minium which he owns, such individual shall be

1 treated as having made his proportionate share  
2 of any expenditures of such association.

3 “(B) CONDOMINIUM MANAGEMENT ASSO-  
4 CIATION.—For purposes of this paragraph, the  
5 term ‘condominium management association’  
6 means an organization which meets the require-  
7 ments of paragraph (1) of section 528(c) (other  
8 than subparagraph (E) thereof) with respect to  
9 a condominium project substantially all of the  
10 units of which are used as residences.

11 “(4) ALLOCATION IN CERTAIN CASES.—If less  
12 than 80 percent of the use of an item is for nonbusi-  
13 ness purposes, only that portion of the expenditures  
14 for such item which is properly allocable to use for  
15 nonbusiness purposes shall be taken into account.

16 “(5) WHEN EXPENDITURE MADE; AMOUNT OF  
17 EXPENDITURE.—

18 “(A) IN GENERAL.—Except as provided in  
19 subparagraph (B), an expenditure with respect  
20 to an item shall be treated as made when the  
21 original installation of the item is completed.

22 “(B) EXPENDITURES PART OF BUILDING  
23 CONSTRUCTION.—In the case of an expenditure  
24 in connection with the construction or recon-  
25 struction of a structure, such expenditure shall

1 be treated as made when the original use of the  
2 constructed or reconstructed structure by the  
3 taxpayer begins.

4 “(C) AMOUNT.—The amount of any ex-  
5 penditure shall be the cost thereof.

6 “(6) PROPERTY FINANCED BY SUBSIDIZED EN-  
7 ERGY FINANCING.—For purposes of determining the  
8 amount of expenditures made by any individual with  
9 respect to any dwelling unit, there shall not be taken  
10 in to account expenditures which are made from  
11 subsidized energy financing (as defined in section  
12 48(a)(4)(A)).

13 “(e) BASIS ADJUSTMENTS.—For purposes of this  
14 subtitle, if a credit is allowed under this section for any  
15 expenditure with respect to any property, the increase in  
16 the basis of such property which would (but for this sub-  
17 section) result from such expenditure shall be reduced by  
18 the amount of the credit so allowed.

19 “(f) TERMINATION.—The credit allowed under this  
20 section shall not apply to taxable years beginning after  
21 December 31, 2006 (December 31, 2008, with respect to  
22 qualified photovoltaic property expenditures).”.

23 (b) CONFORMING AMENDMENTS.—

24 (1) Subsection (a) of section 1016 is amended  
25 by striking “and” at the end of paragraph (27), by



1 striking the period at the end of paragraph (28) and  
2 inserting “, and”, and by adding at the end the fol-  
3 lowing new paragraph:

4 “(29) to the extent provided in section 25C(e),  
5 in the case of amounts with respect to which a credit  
6 has been allowed under section 25C.”.

7 (2) The table of sections for subpart A of part  
8 IV of subchapter A of chapter 1 is amended by in-  
9 serting after the item relating to section 25B the fol-  
10 lowing new item:

“Sec. 25C. Residential solar energy property.”.

11 (c) EFFECTIVE DATE.—The amendments made by  
12 this section shall apply to taxable years ending after De-  
13 cember 31, 2003.

14 **SEC. 102. EXTENSION AND EXPANSION OF CREDIT FOR**  
15 **ELECTRICITY PRODUCED FROM RENEWABLE**  
16 **RESOURCES.**

17 (a) EXTENSION OF CREDIT FOR WIND AND CLOSED-  
18 LOOP BIOMASS FACILITIES.—Subparagraphs (A) and (B)  
19 of section 45(c)(3) are each amended by striking “2004”  
20 and inserting “2007”.

21 (b) EXPANSION OF CREDIT FOR OPEN-LOOP BIO-  
22 MASS, LANDFILL GAS FACILITIES, AND TRASH COMBUS-  
23 TION FACILITIES.—Paragraph (3) of section 45(c) is  
24 amended by adding at the end the following new subpara-  
25 graphs:

1           “(D) OPEN-LOOP BIOMASS FACILITIES.—

2           In the case of a facility using open-loop biomass  
3           to produce electricity, the term ‘qualified facil-  
4           ity’ means any facility owned by the taxpayer  
5           which is originally placed in service before Jan-  
6           uary 1, 2007.

7           “(E) LANDFILL GAS FACILITIES.—In the  
8           case of a facility producing electricity from gas  
9           derived from the biodegradation of municipal  
10          solid waste, the term ‘qualified facility’ means  
11          any facility owned by the taxpayer which is  
12          originally placed in service before January 1,  
13          2007.

14          “(F) TRASH COMBUSTION FACILITIES.—In  
15          the case of a facility which burns municipal  
16          solid waste to produce electricity, the term  
17          ‘qualified facility’ means any facility owned by  
18          the taxpayer which is originally placed in serv-  
19          ice after the date of the enactment of this sub-  
20          paragraph and before January 1, 2007.”.

21          (c) DEFINITION AND SPECIAL RULES.—Subsection  
22          (c) of section 45 is amended by adding at the end the  
23          following new paragraphs:

24                 “(5) OPEN-LOOP BIOMASS.—The term ‘open-  
25          loop biomass’ means any solid, nonhazardous, cel-

1        lulosic waste material which is segregated from other  
2        waste materials and which is derived from—

3                “(A) any of the following forest-related re-  
4                sources: mill residues, precommercial thinnings,  
5                slash, and brush,

6                “(B) solid wood waste materials, including  
7                waste pallets, crates, dunnage, manufacturing  
8                and construction wood wastes (other than pres-  
9                sure-treated, chemically-treated, or painted  
10               wood wastes), and landscape or right-of-way  
11               tree trimmings, but not including municipal  
12               solid waste (garbage), gas derived from the bio-  
13               degradation of solid waste, or paper that is  
14               commonly recycled, or

15               “(C) agriculture sources, including orchard  
16               tree crops, vineyard, grain, legumes, sugar, and  
17               other crop by-products or residues.

18        Such term shall not include closed-loop biomass.

19               “(6)        REDUCED        CREDIT        FOR        CERTAIN  
20        PREEFFECTIVE DATE FACILITIES.—In the case of  
21        any facility described in subparagraph (D) or (E) of  
22        paragraph (3) which is placed in service before the  
23        date of the enactment of this paragraph—

24               “(A) subsection (a)(1) shall be applied by  
25               substituting ‘1.0 cents’ for ‘1.5 cents’, and

1           “(B) the 5-year period beginning on the  
2           date of the enactment of this paragraph shall  
3           be substituted in lieu of the 10-year period in  
4           subsection (a)(2)(A)(ii).

5           “(7) CREDIT ELIGIBILITY FOR OPEN-LOOP BIO-  
6           MASS FACILITIES.—In the case of any facility de-  
7           scribed in paragraph (3)(D) which is placed in serv-  
8           ice before the date of enactment of this paragraph,  
9           if the owner of such facility is not the producer of  
10          the electricity, the person eligible for the credit al-  
11          lowable under subsection (a) is the lessee or the op-  
12          erator of such facility.

13          “(8) LIMIT ON REDUCTIONS FOR GRANTS, ETC.,  
14          FOR OPEN-LOOP BIOMASS FACILITIES.—If the  
15          amount of the credit determined under subsection  
16          (a) with respect to any open-loop biomass facility is  
17          required to be reduced under paragraph (3) of sub-  
18          section (b), the fraction under such paragraph shall  
19          in no event be greater than  $\frac{1}{2}$ .

20          “(9) COORDINATION WITH SECTION 29.—The  
21          term ‘qualified facility’ shall not include any facility  
22          the production from which is allowed as a credit  
23          under section 29 for the taxable year or any prior  
24          taxable year.”.

1 (d) QUALIFIED ENERGY RESOURCES.—Paragraph  
2 (1) of section 45(c) (relating to qualified energy resources)  
3 is amended to read as follows:

4 “(1) QUALIFIED ENERGY RESOURCES.—The  
5 term ‘qualified energy resources’ means any resource  
6 described in paragraph (3) which is used to generate  
7 electricity at a qualified facility.”.

8 (e) EFFECTIVE DATE.—The amendments made by  
9 this section shall apply to electricity sold after the date  
10 of the enactment of this Act.

11 **SEC. 103. CREDIT FOR QUALIFIED FUEL CELL POWER**  
12 **PLANTS.**

13 (a) BUSINESS PROPERTY.—

14 (1) IN GENERAL.—Subparagraph (A) of section  
15 48(a)(3) (defining energy property) is amended by  
16 striking “or” at the end of clause (i), by adding  
17 “or” at the end of clause (ii), and by inserting after  
18 clause (ii) the following new clause:

19 “(iii) equipment which is part of a  
20 qualified fuel cell power plant,”.

21 (2) QUALIFIED FUEL CELL POWER PLANT.—  
22 Subsection (a) of section 48 is amended by redesign-  
23 ating paragraphs (4) and (5) as paragraphs (5)  
24 and (6), respectively, and by inserting after para-  
25 graph (3) the following new paragraph:

1           “(4) QUALIFIED FUEL CELL POWER PLANT.—

2           For purposes of this subsection—

3                   “(A) IN GENERAL.—The term ‘qualified  
4           fuel cell power plant’ means a fuel cell power  
5           plant that has an electricity-only generation ef-  
6           ficiency greater than 30 percent.

7                   “(B) LIMITATION.—The energy credit with  
8           respect to any qualified fuel cell power plant for  
9           any taxable year shall not exceed—

10                   “(i) \$500 for each ½ kilowatt of ca-  
11           pacity of the power plant, reduced by

12                   “(ii) the aggregate energy credits al-  
13           lowed with respect to such power plant for  
14           all prior taxable years.

15                   “(C) FUEL CELL POWER PLANT.—The  
16           term ‘fuel cell power plant’ means an integrated  
17           system comprised of a fuel cell stack assembly  
18           and associated balance of plant components  
19           that converts a fuel into electricity using elec-  
20           trochemical means.

21                   “(D) TERMINATION.—Such term shall not  
22           include any property placed in service after De-  
23           cember 31, 2006.”.

24                   “(3) EFFECTIVE DATE.—The amendments made  
25           by this subsection shall apply to property placed in

1 service after December 31, 2003, under rules similar  
2 to the rules of section 48(m) of the Internal Revenue  
3 Code of 1986 (as in effect on the day before the  
4 date of the enactment of the Revenue Reconciliation  
5 Act of 1990).

6 (b) NONBUSINESS PROPERTY.—

7 (1) IN GENERAL.—Subpart A of part IV of sub-  
8 chapter A of chapter 1 (relating to nonrefundable  
9 personal credits) is amended by inserting after sec-  
10 tion 25C the following new section:

11 **“SEC. 25D. NONBUSINESS QUALIFIED FUEL CELL POWER**  
12 **PLANT.**

13 “(a) IN GENERAL.—In the case of an individual,  
14 there shall be allowed as a credit against the tax imposed  
15 by this chapter for the taxable year an amount equal to  
16 10 percent of the qualified fuel cell power plant expendi-  
17 tures which are paid or incurred during such year.

18 “(b) LIMITATIONS.—The credit allowed under sub-  
19 section (a) with respect to any qualified fuel cell power  
20 plant for any taxable year shall not exceed—

21 “(i) \$500 for each  $\frac{1}{2}$  kilowatt of ca-  
22 pacity of the power plant, reduced by

23 “(ii) the aggregate energy credits al-  
24 lowed with respect to such power plant for  
25 all prior taxable years.

1       “(c) QUALIFIED FUEL CELL POWER PLANT EX-  
2 PENDITURES.—For purposes of this section, the term  
3 ‘qualified fuel cell power plant expenditures’ means ex-  
4 penditures by the taxpayer for any qualified fuel cell power  
5 plant (as defined in section 48(a)(4))—

6               “(1) which meets the requirements of subpara-  
7 graphs (B) and (D) of section 48(a)(3), and

8               “(2) which is installed on or in connection with  
9 a dwelling unit—

10               “(A) which is located in the United States,  
11 and

12               “(B) which is used by the taxpayer as a  
13 residence.

14 Such term includes expenditures for labor costs properly  
15 allocable to the onsite preparation, assembly, or original  
16 installation of the property.

17       “(d) SPECIAL RULES.—For purposes of this section,  
18 rules similar to the rules of section 25C(d) shall apply.

19       “(e) BASIS ADJUSTMENTS.—For purposes of this  
20 subtitle, if a credit is allowed under this section for any  
21 expenditure with respect to any property, the increase in  
22 the basis of such property which would (but for this sub-  
23 section) result from such expenditure shall be reduced by  
24 the amount of the credit so allowed.



1       “(f) TERMINATION.—This section shall not apply to  
2 any expenditure made after December 31, 2006.”.

3           (2) CONFORMING AMENDMENTS.—

4           (A) Subsection (a) of section 1016 is  
5 amended by striking “and” at the end of para-  
6 graph (28), by striking the period at the end of  
7 paragraph (29) and inserting “, and”, and by  
8 adding at the end the following new paragraph:

9           “(30) to the extent provided in section 25D(e),  
10 in the case of amounts with respect to which a credit  
11 has been allowed under section 25D.”.

12           (B) The table of sections for subpart A of  
13 part IV of subchapter A of chapter 1 is amend-  
14 ed by inserting after the item relating to section  
15 25C the following new item:

“Sec. 25D. Nonbusiness qualified fuel cell power plant.”.

16           (3) EFFECTIVE DATE.—The amendments made  
17 by this subsection shall apply to expenditures paid  
18 or incurred after December 31, 2003.

19 **SEC. 104. CREDIT FOR ENERGY EFFICIENCY IMPROVE-**  
20 **MENTS TO EXISTING HOMES.**

21           (a) IN GENERAL.—Subpart A of part IV of sub-  
22 chapter A of chapter 1 (relating to nonrefundable personal  
23 credits) is amended by inserting after section 25D the fol-  
24 lowing new section:

1   **“SEC. 25E. ENERGY EFFICIENCY IMPROVEMENTS TO EXIST-**  
2                   **ING HOMES.**

3           “(a) ALLOWANCE OF CREDIT.—In the case of an in-  
4   dividual, there shall be allowed as a credit against the tax  
5   imposed by this chapter for the taxable year an amount  
6   equal to 20 percent of the amount paid or incurred by  
7   the taxpayer for qualified energy efficiency improvements  
8   installed during such taxable year.

9           “(b) LIMITATIONS.—

10           “(1) MAXIMUM CREDIT.—The credit allowed by  
11   this section with respect to a dwelling shall not ex-  
12   ceed \$2,000.

13           “(2) PRIOR CREDIT AMOUNTS FOR TAXPAYER  
14   ON SAME DWELLING TAKEN INTO ACCOUNT.—If a  
15   credit was allowed to the taxpayer under subsection  
16   (a) with respect to a dwelling in 1 or more prior tax-  
17   able years, the amount of the credit otherwise allow-  
18   able for the taxable year with respect to that dwell-  
19   ing shall not exceed the amount of \$2,000 reduced  
20   by the sum of the credits allowed under subsection  
21   (a) to the taxpayer with respect to the dwelling for  
22   all prior taxable years.

23           “(c) CARRYFORWARD OF UNUSED CREDIT.—If the  
24   credit allowable under subsection (a) exceeds the limita-  
25   tion imposed by section 26(a) for such taxable year re-  
26   duced by the sum of the credits allowable under this sub-

1 part (other than this section) for such taxable year, such  
2 excess shall be carried to the succeeding taxable year and  
3 added to the credit allowable under subsection (a) for such  
4 succeeding taxable year.

5 “(d) QUALIFIED ENERGY EFFICIENCY IMPROVE-  
6 MENTS.—For purposes of this section, the term ‘qualified  
7 energy efficiency improvements’ means any energy effi-  
8 cient building envelope component which meets the pre-  
9 scriptive criteria for such component established by the  
10 2000 International Energy Conservation Code (or, in the  
11 case of metal roofs with appropriate pigmented coatings,  
12 meets the Energy Star program requirements), if—

13 “(1) such component is installed in or on a  
14 dwelling—

15 “(A) located in the United States, and

16 “(B) owned and used by the taxpayer as  
17 the taxpayer’s principal residence (within the  
18 meaning of section 121),

19 “(2) the original use of such component com-  
20 mences with the taxpayer, and

21 “(3) such component reasonably can be ex-  
22 pected to remain in use for at least 5 years.

23 If the aggregate cost of such components with respect to  
24 any dwelling exceeds \$1,000, such components shall be  
25 treated as qualified energy efficiency improvements only

1 if such components are also certified in accordance with  
2 subsection (e) as meeting such criteria.

3 “(e) CERTIFICATION.—The certification described in  
4 subsection (d) shall be—

5 “(1) determined on the basis of the technical  
6 specifications or applicable ratings (including prod-  
7 uct labeling requirements) for the measurement of  
8 energy efficiency, based upon energy use or building  
9 envelope component performance, for the energy effi-  
10 cient building envelope component,

11 “(2) provided by a local building regulatory au-  
12 thority, a utility, a manufactured home production  
13 inspection primary inspection agency (IPIA), or an  
14 accredited home energy rating system provider who  
15 is accredited by or otherwise authorized to use ap-  
16 proved energy performance measurement methods by  
17 the Residential Energy Services Network  
18 (RESNET), and

19 “(3) made in writing in a manner that specifies  
20 in readily verifiable fashion the energy efficient  
21 building envelope components installed and their re-  
22 spective energy efficiency levels.

23 “(f) DEFINITIONS AND SPECIAL RULES.—

24 “(1) TENANT-STOCKHOLDER IN COOPERATIVE  
25 HOUSING CORPORATION.—In the case of an indi-

vidual who is a tenant-stockholder (as defined in section 216) in a cooperative housing corporation (as defined in such section), such individual shall be treated as having paid his tenant-stockholder's proportionate share (as defined in section 216(b)(3)) of the cost of qualified energy efficiency improvements made by such corporation.

“(2) CONDOMINIUMS.—

“(A) IN GENERAL.—In the case of an individual who is a member of a condominium management association with respect to a condominium which he owns, such individual shall be treated as having paid his proportionate share of the cost of qualified energy efficiency improvements made by such association.

“(B) CONDOMINIUM MANAGEMENT ASSOCIATION.—For purposes of this paragraph, the term ‘condominium management association’ means an organization which meets the requirements of paragraph (1) of section 528(c) (other than subparagraph (E) thereof) with respect to a condominium project substantially all of the units of which are used as residences.

“(3) BUILDING ENVELOPE COMPONENT.—The term ‘building envelope component’ means insulation

1 material or system which is specifically and pri-  
2 marily designed to reduce the heat loss or gain of a  
3 dwelling when installed in or on such dwelling, exte-  
4 rior windows (including skylights) and doors, and  
5 metal roofs with appropriate pigmented coatings  
6 which are specifically and primarily designed to re-  
7 duce the heat gain of a dwelling when installed in  
8 or on such dwelling.

9 “(4) MANUFACTURED HOMES INCLUDED.—For  
10 purposes of this section, the term ‘dwelling’ includes  
11 a manufactured home which conforms to Federal  
12 Manufactured Home Construction and Safety Stand-  
13 ards (24 CFR 3280).

14 “(g) BASIS ADJUSTMENT.—For purposes of this sub-  
15 title, if a credit is allowed under this section for any ex-  
16 penditure with respect to any property, the increase in the  
17 basis of such property which would (but for this sub-  
18 section) result from such expenditure shall be reduced by  
19 the amount of the credit so allowed.

20 “(h) APPLICATION OF SECTION.—This section shall  
21 apply to qualified energy efficiency improvements installed  
22 after December 31, 2003, and before January 1, 2007.”.

23 (b) CONFORMING AMENDMENTS.—

1           (1) Subsection (c) of section 23 is amended by  
2       striking “section 1400C” and inserting “sections  
3       25E and 1400C”.

4           (2) Subsection (a) of section 1016 is amended  
5       by striking “and” at the end of paragraph (29), by  
6       striking the period at the end of paragraph (30) and  
7       inserting “, and”, and by adding at the end the fol-  
8       lowing new paragraph:

9           “(31) to the extent provided in section 25E(g),  
10       in the case of amounts with respect to which a credit  
11       has been allowed under section 25E.”.

12           (3) Subsection (d) of section 1400C is amended  
13       by inserting “and section 25E” after “this section”.

14           (4) The table of sections for subpart A of part  
15       IV of subchapter A of chapter 1 is amended by in-  
16       serting after the item relating to section 25D the  
17       following new item:

          “Sec. 25E. Energy efficiency improvements to existing homes.”.

18       (c) EFFECTIVE DATE.—The amendments made by  
19       this section shall apply to taxable years ending after De-  
20       cember 31, 2003.

21       **SEC. 105. BUSINESS CREDIT FOR CONSTRUCTION OF NEW**  
22                               **ENERGY EFFICIENT HOME.**

23       (a) IN GENERAL.—Subpart D of part IV of sub-  
24       chapter A of chapter 1 (relating to business related cred-

1 its) is amended by inserting after section 45F the fol-  
2 lowing new section:

3 **“SEC. 45G. NEW ENERGY EFFICIENT HOME CREDIT.**

4       “(a) IN GENERAL.—For purposes of section 38, in  
5 the case of an eligible contractor, the credit determined  
6 under this section for the taxable year is an amount equal  
7 to the aggregate adjusted bases of all energy efficient  
8 property installed in a qualified new energy efficient home  
9 during construction of such home.

10       “(b) LIMITATIONS.—

11               “(1) MAXIMUM CREDIT.—

12                       “(A) IN GENERAL.—The credit allowed by  
13 this section with respect to a dwelling shall not  
14 exceed \$2,000.

15                       “(B) PRIOR CREDIT AMOUNTS ON SAME  
16 DWELLING TAKEN INTO ACCOUNT.—If a credit  
17 was allowed under subsection (a) with respect  
18 to a dwelling in 1 or more prior taxable years,  
19 the amount of the credit otherwise allowable for  
20 the taxable year with respect to that dwelling  
21 shall not exceed the amount of \$2,000 reduced  
22 by the sum of the credits allowed under sub-  
23 section (a) with respect to the dwelling for all  
24 prior taxable years.



1           “(2) COORDINATION WITH REHABILITATION  
2           AND ENERGY CREDITS.—For purposes of this  
3           section—

4                   “(A) the basis of any property referred to  
5                   in subsection (a) shall be reduced by that por-  
6                   tion of the basis of any property which is attrib-  
7                   utable to qualified rehabilitation expenditures  
8                   (as defined in section 47(c)(2)) or to the energy  
9                   percentage of energy property (as determined  
10                  under section 48(a)), and

11                  “(B) expenditures taken into account  
12                  under either section 47 or 48(a) shall not be  
13                  taken into account under this section.

14           “(c) DEFINITIONS.—For purposes of this section—

15                   “(1) ELIGIBLE CONTRACTOR.—The term ‘eligi-  
16                   ble contractor’ means the person who constructed  
17                   the new energy efficient home, or in the case of a  
18                   manufactured home which conforms to Federal  
19                   Manufactured Home Construction and Safety Stand-  
20                   ards (24 CFR 3280), the manufactured home pro-  
21                   ducer of such home.

22                   “(2) ENERGY EFFICIENT PROPERTY.—The  
23                   term ‘energy efficient property’ means any energy  
24                   efficient building envelope component, and any en-  
25                   ergy efficient heating or cooling appliance.

1           “(3) QUALIFIED NEW ENERGY EFFICIENT  
2 HOME.—The term ‘qualified new energy efficient  
3 home’ means a dwelling—

4                   “(A) located in the United States,

5                   “(B) the construction of which is substan-  
6 tially completed after December 31, 2003,

7                   “(C) the original use of which is as a prin-  
8 cipal residence (within the meaning of section  
9 121) which commences with the person who ac-  
10 quires such dwelling from the eligible con-  
11 tractor, and

12                   “(D) which is certified to have a level of  
13 annual heating and cooling energy consumption  
14 that is at least 30 percent below the annual  
15 level of heating and cooling energy consumption  
16 of a comparable dwelling constructed in accord-  
17 ance with the standards of the 2000 Inter-  
18 national Energy Conservation Code and to have  
19 building envelope component improvements ac-  
20 count for  $\frac{1}{3}$  of such 30 percent.

21           “(4) CONSTRUCTION.—The term ‘construction’  
22 includes reconstruction and rehabilitation.

23           “(5) ACQUIRE.—The term ‘acquire’ includes  
24 purchase and, in the case of reconstruction and re-

1 habilitation, such term includes a binding written  
2 contract for such reconstruction or rehabilitation.

3 “(6) BUILDING ENVELOPE COMPONENT.—The  
4 term ‘building envelope component’ means insulation  
5 material or system which is specifically and pri-  
6 marily designed to reduce the heat loss or gain of a  
7 dwelling when installed in or on such dwelling, exte-  
8 rior windows (including skylights) and doors, and  
9 metal roofs with appropriate pigmented coatings  
10 which are specifically and primarily designed to re-  
11 duce the heat gain of a dwelling when installed in  
12 or on such dwelling.

13 “(7) MANUFACTURED HOME INCLUDED.—The  
14 term ‘dwelling’ includes a manufactured home con-  
15 forming to Federal Manufactured Home Construc-  
16 tion and Safety Standards (24 CFR 3280).

17 “(d) CERTIFICATION.—

18 “(1) METHOD.—A certification described in  
19 subsection (c)(3)(D) shall be determined on the  
20 basis of one of the following methods:

21 “(A) The technical specifications or appli-  
22 cable ratings (including product labeling re-  
23 quirements) for the measurement of energy effi-  
24 ciency for the energy efficient building envelope  
25 component or energy efficient heating or cooling

1 appliance, based upon energy use or building  
2 envelope component performance.

3 “(B) An energy performance measurement  
4 method that utilizes computer software ap-  
5 proved by organizations designated by the Sec-  
6 retary.

7 “(2) PROVIDER.—Such certification shall be  
8 provided by—

9 “(A) in the case of a method described in  
10 paragraph (1)(A), a local building regulatory  
11 authority, a utility, a manufactured home pro-  
12 duction inspection primary inspection agency  
13 (IPIA), or an accredited home energy rating  
14 systems provider who is accredited by, or other-  
15 wise authorized to use, approved energy per-  
16 formance measurement methods by the Home  
17 Energy Ratings Systems Council or the Na-  
18 tional Association of State Energy Officials, or

19 “(B) in the case of a method described in  
20 paragraph (1)(B), an individual recognized by  
21 an organization designated by the Secretary for  
22 such purposes.

23 “(3) FORM.—Such certification shall be made  
24 in writing in a manner that specifies in readily veri-  
25 fiable fashion the energy efficient building envelope

1 components and energy efficient heating or cooling  
2 appliances installed and their respective energy effi-  
3 ciency levels, and in the case of a method described  
4 in subparagraph (B) of paragraph (1), accompanied  
5 by written analysis documenting the proper applica-  
6 tion of a permissible energy performance measure-  
7 ment method to the specific circumstances of such  
8 dwelling.

9 “(4) REGULATIONS.—

10 “(A) IN GENERAL.—In prescribing regula-  
11 tions under this subsection for energy perform-  
12 ance measurement methods, the Secretary shall  
13 prescribe procedures for calculating annual en-  
14 ergy costs for heating and cooling and cost sav-  
15 ings and for the reporting of the results. Such  
16 regulations shall—

17 “(i) be based on the National Home  
18 Energy Rating Technical Guidelines of the  
19 National Association of State Energy Offi-  
20 cials, the Home Energy Rating Guidelines  
21 of the Home Energy Rating Systems  
22 Council, or the modified 2001 California  
23 Residential ACM manual,

24 “(ii) provide that any calculation pro-  
25 cedures be developed such that the same

1 energy efficiency measures allow a home to  
2 qualify for the credit under this section re-  
3 gardless of whether the house uses a gas  
4 or oil furnace or boiler or an electric heat  
5 pump, and

6 “(iii) require that any computer soft-  
7 ware allow for the printing of the Federal  
8 tax forms necessary for the credit under  
9 this section and explanations for the home-  
10 buyer of the energy efficient features that  
11 were used to comply with the requirements  
12 of this section.

13 “(B) PROVIDERS.—For purposes of para-  
14 graph (2)(B), the Secretary shall establish re-  
15 quirements for the designation of individuals  
16 based on the requirements for energy consult-  
17 ants and home energy raters specified by the  
18 National Association of State Energy Officials.

19 “(e) BASIS ADJUSTMENT.—For purposes of this sub-  
20 title, if a credit is allowed under this section for any ex-  
21 penditure with respect to any property, the increase in the  
22 basis of such property which would (but for this sub-  
23 section) result from such expenditure shall be reduced by  
24 the amount of the credit so allowed.

1       “(f) APPLICATION OF SECTION.—Subsection (a) shall  
2 apply to dwellings purchased during the period beginning  
3 on January 1, 2004, and ending on December 31, 2006.”.

4       (b) CREDIT MADE PART OF GENERAL BUSINESS  
5 CREDIT.—Subsection (b) of section 38 (relating to current  
6 year business credit) is amended by striking “plus” at the  
7 end of paragraph (14), by striking the period at the end  
8 of paragraph (15) and inserting “, plus”, and by adding  
9 at the end thereof the following new paragraph:

10           “(16) the new energy efficient home credit de-  
11 termined under section 45G.”.

12       (c) DENIAL OF DOUBLE BENEFIT.—Section 280C  
13 (relating to certain expenses for which credits are allow-  
14 able) is amended by adding at the end thereof the fol-  
15 lowing new subsection:

16       “(d) NEW ENERGY EFFICIENT HOME EXPENSES.—  
17 No deduction shall be allowed for that portion of expenses  
18 for a new energy efficient home otherwise allowable as a  
19 deduction for the taxable year which is equal to the  
20 amount of the credit determined for such taxable year  
21 under section 45G.”.

22       (d) LIMITATION ON CARRYBACK.—Subsection (d) of  
23 section 39 is amended by adding at the end the following  
24 new paragraph:

1           “(11) NO CARRYBACK OF NEW ENERGY EFFI-  
2           CIENT HOME CREDIT BEFORE EFFECTIVE DATE.—  
3           No portion of the unused business credit for any  
4           taxable year which is attributable to the credit deter-  
5           mined under section 45G may be carried back to any  
6           taxable year ending before January 1, 2004.”.

7           (e) DEDUCTION FOR CERTAIN UNUSED BUSINESS  
8           CREDITS.—Subsection (c) of section 196 is amended by  
9           striking “and” at the end of paragraph (9), by striking  
10          the period at the end of paragraph (10) and inserting “,  
11          and”, and by adding after paragraph (10) the following  
12          new paragraph:

13           “(11) the new energy efficient home credit de-  
14          termined under section 45G.”.

15          (f) CLERICAL AMENDMENT.—The table of sections  
16          for subpart D of part IV of subchapter A of chapter 1  
17          is amended by inserting after the item relating to section  
18          45F the following new item:

            “Sec. 45G. New energy efficient home credit.”.

19          (g) EFFECTIVE DATE.—The amendments made by  
20          this section shall apply to taxable years ending after De-  
21          cember 31, 2003.

22       **SEC. 106. ENERGY CREDIT FOR COMBINED HEAT AND**  
23       **POWER SYSTEM PROPERTY.**

24          (a) IN GENERAL.—Subparagraph (A) of section  
25          48(a)(3) (defining energy property) is amended by strik-



1 ing “or” at the end of clause (ii), by adding “or” at the  
2 end of clause (iii), and by inserting after clause (iii) the  
3 following new clause:

4 “(iv) combined heat and power system  
5 property,”.

6 (b) COMBINED HEAT AND POWER SYSTEM PROP-  
7 erty.—Subsection (a) of section 48 is amended by redes-  
8 ignating paragraphs (5) and (6) as paragraphs (6) and  
9 (7), respectively, and by inserting after paragraph (4) the  
10 following new paragraph:

11 “(5) COMBINED HEAT AND POWER SYSTEM  
12 PROPERTY.—For purposes of this subsection—

13 “(A) COMBINED HEAT AND POWER SYS-  
14 TEM PROPERTY.—The term ‘combined heat and  
15 power system property’ means property com-  
16 prising a system—

17 “(i) which uses the same energy  
18 source for the simultaneous or sequential  
19 generation of electrical power, mechanical  
20 shaft power, or both, in combination with  
21 the generation of steam or other forms of  
22 useful thermal energy (including heating  
23 and cooling applications),

24 “(ii) which has an electrical capacity  
25 of more than 50 kilowatts or a mechanical

1 energy capacity of more than 67 horse-  
2 power or an equivalent combination of elec-  
3 trical and mechanical energy capacities,

4 “(iii) which produces—

5 “(I) at least 20 percent of its  
6 total useful energy in the form of  
7 thermal energy, and

8 “(II) at least 20 percent of its  
9 total useful energy in the form of elec-  
10 trical or mechanical power (or com-  
11 bination thereof),

12 “(iv) the energy efficiency percentage  
13 of which exceeds 60 percent (70 percent in  
14 the case of a system with an electrical ca-  
15 pacity in excess of 50 megawatts or a me-  
16 chanical energy capacity in excess of  
17 67,000 horsepower, or an equivalent com-  
18 bination of electrical and mechanical en-  
19 ergy capacities), and

20 “(v) which is placed in service after  
21 December 31, 2003, and before January 1,  
22 2007.

23 “(B) SPECIAL RULES.—

24 “(i) ENERGY EFFICIENCY PERCENT-  
25 AGE.—For purposes of subparagraph

1 (A)(iv), the energy efficiency percentage of  
2 a system is the fraction—

3 “(I) the numerator of which is  
4 the total useful electrical, thermal,  
5 and mechanical power produced by  
6 the system at normal operating rates,  
7 and

8 “(II) the denominator of which is  
9 the lower heating value of the primary  
10 fuel source for the system.

11 “(ii) DETERMINATIONS MADE ON BTU  
12 BASIS.—The energy efficiency percentage  
13 and the percentages under subparagraph  
14 (A)(iii) shall be determined on a Btu basis.

15 “(iii) INPUT AND OUTPUT PROPERTY  
16 NOT INCLUDED.—The term ‘combined heat  
17 and power system property’ does not in-  
18 clude property used to transport the en-  
19 ergy source to the facility or to distribute  
20 energy produced by the facility.

21 “(iv) PUBLIC UTILITY PROPERTY.—

22 “(I) ACCOUNTING RULE FOR  
23 PUBLIC UTILITY PROPERTY.—If the  
24 combined heat and power system  
25 property is public utility property (as

1 defined in section 168(i)(1)), the tax-  
2 payer may only claim the credit under  
3 the subsection if, with respect to such  
4 property, the taxpayer uses a normal-  
5 ization method of accounting.

6 “(II) CERTAIN EXCEPTION NOT  
7 TO APPLY.—The matter in paragraph  
8 (3) which follows subparagraph (D)  
9 shall not apply to combined heat and  
10 power system property.

11 “(C) EXTENSION OF DEPRECIATION RE-  
12 COVERY PERIOD.—If a taxpayer is allowed cred-  
13 it under this section for combined heat and  
14 power system property and such property would  
15 (but for this subparagraph) have a class life of  
16 15 years or less under section 168, such prop-  
17 erty shall be treated as having a 22-year class  
18 life for purposes of section 168.”.

19 (c) NO CARRYBACK OF ENERGY CREDIT BEFORE  
20 EFFECTIVE DATE.—Subsection (d) of section 39 is  
21 amended by adding at the end the following new para-  
22 graph:

23 “(12) NO CARRYBACK OF ENERGY CREDIT BE-  
24 FORE EFFECTIVE DATE.—No portion of the unused  
25 business credit for any taxable year which is attrib-

1       utable to the energy credit with respect to property  
2       described in section 48(a)(5) may be carried back to  
3       a taxable year ending before January 1, 2004.”.

4       (d) EFFECTIVE DATE.—The amendments made by  
5       this section shall apply to property placed in service after  
6       December 31, 2003.

7       **SEC. 107. NEW NONREFUNDABLE PERSONAL CREDITS AL-**  
8                       **LOWED AGAINST REGULAR AND MINIMUM**  
9                       **TAXES.**

10       (a) IN GENERAL.—

11               (1) SECTION 25C.—Section 25C(b), as added  
12       by section 101, is amended by adding at the end the  
13       following new paragraph:

14               “(3) LIMITATION BASED ON AMOUNT OF  
15       TAX.—The credit allowed under subsection (a) for  
16       the taxable year shall not exceed the excess of—

17               “(A) the sum of the regular tax liability  
18       (as defined in section 26(b)) plus the tax im-  
19       posed by section 55, over

20               “(B) the sum of the credits allowable  
21       under this subpart (other than this section and  
22       section 25D and 25E) and section 27 for the  
23       taxable year.”.

24               (2) SECTION 25D.—Section 25D(b), as added  
25       by section 103, is amended—

1 (A) by striking “The credit” and inserting  
2 the following:

3 “(1) IN GENERAL.—The credit”, and

4 (B) by adding at the end the following new  
5 paragraph:

6 “(2) LIMITATION BASED ON AMOUNT OF  
7 TAX.—The credit allowed under subsection (a) for  
8 the taxable year shall not exceed the excess of—

9 “(A) the sum of the regular tax liability  
10 (as defined in section 26(b)) plus the tax im-  
11 posed by section 55, over

12 “(B) the sum of the credits allowable  
13 under this subpart (other than this section and  
14 section 25E) and section 27 for the taxable  
15 year.”.

16 (3) SECTION 25E.—Section 25E(b), as added  
17 by section 104, is amended by adding at the end the  
18 following new paragraph:

19 “(3) LIMITATION BASED ON AMOUNT OF  
20 TAX.—The credit allowed under subsection (a) for  
21 the taxable year shall not exceed the excess of—

22 “(A) the sum of the regular tax liability  
23 (as defined in section 26(b)) plus the tax im-  
24 posed by section 55, over

1           “(B) the sum of the credits allowable  
2           under this subpart (other than this section) and  
3           section 27 for the taxable year.”.

4       (b) CONFORMING AMENDMENTS.—

5           (1) Section 23(b)(4)(B) is amended by inserting  
6           “and sections 25C, 25D, and 25E” after “this sec-  
7           tion”.

8           (2) Section 24(b)(3)(B) is amended by striking  
9           “and 25B” and inserting “, 25B, 25C, 25D, and  
10          25E”.

11          (3) Section 25(e)(1)(C) is amended by inserting  
12          “25C, 25D, and 25E” after “25B,”.

13          (4) Section 25B(g)(2) is amended by striking  
14          “section 23” and inserting “sections 23, 25C, 25D,  
15          and 25E”.

16          (5) Section 25E(c), as added by section 104, is  
17          amended by striking “section 26(a) for such taxable  
18          year reduced by the sum of the credits allowable  
19          under this subpart (other than this section)” and in-  
20          serting “subsection (b)(3)”.

21          (6) Section 26(a)(1) is amended by striking  
22          “and 25B” and inserting “25B, 25C, 25D, and  
23          25E”.

24          (7) Section 904(h) is amended by striking “and  
25          25B” and inserting “25B, 25C, 25D, and 25E”.

1           (8) Section 1400C(d) is amended by striking  
2       “and 25B” and inserting “25B, 25C, 25D, and  
3       25E”.

4       (c) EFFECTIVE DATE.—The amendments made by  
5 this section shall apply to taxable years beginning after  
6 December 31, 2003.

7   **SEC. 108. REPEAL OF 4.3-CENT MOTOR FUEL EXCISE TAXES**  
8                   **ON RAILROADS AND INLAND WATERWAY**  
9                   **TRANSPORTATION WHICH REMAIN IN GEN-**  
10                  **ERAL FUND.**

11       (a) TAXES ON TRAINS.—

12           (1) IN GENERAL.—Subparagraph (A) of section  
13 4041(a)(1) is amended by striking “or a diesel-pow-  
14 ered train” each place it appears and by striking “or  
15 train”.

16           (2) CONFORMING AMENDMENTS.—

17           (A) Subparagraph (C) of section  
18 4041(a)(1) is amended by striking clause (ii)  
19 and by redesignating clause (iii) as clause (ii).

20           (B) Subparagraph (C) of section  
21 4041(b)(1) is amended by striking all that fol-  
22 lows “section 6421(e)(2)” and inserting a pe-  
23 riod.

24           (C) Subsection (d) of section 4041 is  
25 amended by redesignating paragraph (3) as



1 paragraph (4) and by inserting after paragraph  
2 (2) the following new paragraph:

3 “(3) DIESEL FUEL USED IN TRAINS.—There is  
4 hereby imposed a tax of 0.1 cent per gallon on any  
5 liquid other than gasoline (as defined in section  
6 4083)—

7 “(A) sold by any person to an owner, les-  
8 see, or other operator of a diesel-powered train  
9 for use as a fuel in such train, or

10 “(B) used by any person as a fuel in a die-  
11 sel-powered train unless there was a taxable  
12 sale of such fuel under subparagraph (A).

13 No tax shall be imposed by this paragraph on the  
14 sale or use of any liquid if tax was imposed on such  
15 liquid under section 4081.”

16 (D) Subsection (e) of section 4082 is  
17 amended by striking “section 4041(a)(1)” and  
18 inserting “subsections (d)(3) and (a)(1) of sec-  
19 tion 4041, respectively”.

20 (E) Paragraph (3) of section 4083(a) is  
21 amended by striking “or a diesel-powered  
22 train”.

23 (F) Paragraph (3) of section 6421(f) is  
24 amended to read as follows:

1           “(3) GASOLINE USED IN TRAINS.—In the case  
2 of gasoline used as a fuel in a train, this section  
3 shall not apply with respect to the Leaking Under-  
4 ground Storage Tank Trust Fund financing rate  
5 under section 4081.”

6           (G) Paragraph (3) of section 6427(l) is  
7 amended to read as follows:

8           “(3) REFUND OF CERTAIN TAXES ON FUEL  
9 USED IN DIESEL-POWERED TRAINS.—For purposes  
10 of this subsection, the term ‘nontaxable use’ includes  
11 fuel used in a diesel-powered train. The preceding  
12 sentence shall not apply to the tax imposed by sec-  
13 tion 4041(d) and the Leaking Underground Storage  
14 Tank Trust Fund financing rate under section 4081  
15 except with respect to fuel sold for exclusive use by  
16 a State or any political subdivision thereof.”

17       (b) FUEL USED ON INLAND WATERWAYS.—

18           (1) IN GENERAL.—Paragraph (1) of section  
19 4042(b) is amended by adding “and” at the end of  
20 subparagraph (A), by striking “, and” at the end of  
21 subparagraph (B) and inserting a period, and by  
22 striking subparagraph (C).

23           (2) CONFORMING AMENDMENT.—Paragraph (2)  
24 of section 4042(b) is amended by striking subpara-  
25 graph (C).

1       (c) EFFECTIVE DATE.—The amendments made by  
2 this section shall take effect on January 1, 2004.

3   **SEC. 109. REDUCED MOTOR FUEL EXCISE TAX ON CERTAIN**  
4                   **MIXTURES OF DIESEL FUEL.**

5       (a) IN GENERAL.—Paragraph (2) of section 4081(a)  
6 is amended by adding at the end the following:

7                   “(C) DIESEL-WATER FUEL EMULSION.—In  
8 the case of diesel-water fuel emulsion at least  
9 14 percent of which is water and with respect  
10 to which the emulsion additive is registered by  
11 a United States manufacturer with the Envi-  
12 ronmental Protection Agency pursuant to sec-  
13 tion 211 of the Clean Air Act (as in effect on  
14 March 31, 2003)), subparagraph (A)(iii) shall  
15 be applied by substituting ‘19.7 cents’ for ‘24.3  
16 cents’.”.

17       (b) SPECIAL RULES FOR DIESEL-WATER FUEL  
18 EMULSIONS.—

19               (1) REFUNDS FOR TAX-PAID PURCHASES.—Sec-  
20 tion 6427 is amended by redesignating subsections  
21 (m) through (p) as subsections (n) through (q), re-  
22 spectively, and by inserting after subsection (l) the  
23 following new subsection:

24       “(m) DIESEL FUEL USED TO PRODUCE EMUL-  
25 SION.—

1           “(1) IN GENERAL.—Except as provided in sub-  
2           section (k), if any diesel fuel on which tax was im-  
3           posed by section 4081 at the regular tax rate is used  
4           by any person in producing an emulsion described in  
5           section 4081(a)(2)(C) which is sold or used in such  
6           person’s trade or business, the Secretary shall pay  
7           (without interest) to such person an amount equal to  
8           the excess of the regular tax rate over the incentive  
9           tax rate with respect to such fuel.

10           “(2) DEFINITIONS.—For purposes of paragraph  
11           (1)—

12                   “(A) REGULAR TAX RATE.—The term ‘reg-  
13                   ular tax rate’ means the aggregate rate of tax  
14                   imposed by section 4081 determined without re-  
15                   gard to section 4081(a)(2)(C).

16                   “(B) INCENTIVE TAX RATE.—The term  
17                   ‘incentive tax rate’ means the aggregate rate of  
18                   tax imposed by section 4081 determined with  
19                   regard to section 4081(a)(2)(C).”.

20           “(2) LATER SEPARATION OF FUEL.—Section  
21           4081 (relating to imposition of tax) is amended by  
22           redesignating subsection (d) as subsection (e) and  
23           inserting after subsection (c) the following new sub-  
24           section:

1       “(c) LATER SEPARATION OF FUEL FROM DIESEL-  
2 WATER FUEL EMULSION.—If any person separates the  
3 taxable fuel from a diesel-water fuel emulsion on which  
4 tax was imposed under subsection (a) at a rate determined  
5 under subsection (a)(2)(C) (or with respect to which a  
6 credit or payment was allowed or made by reason of sec-  
7 tion 6427), such person shall be treated as the refiner of  
8 such taxable fuel. The amount of tax imposed on any re-  
9 moval of such fuel by such person shall be reduced by the  
10 amount of tax imposed (and not credited or refunded) on  
11 any prior removal or entry of such fuel.”.

12       (c) EFFECTIVE DATE.—The amendments made by  
13 this section shall take effect on October 1, 2003.

14 **SEC. 110. REPEAL OF PHASEOUTS FOR QUALIFIED ELEC-**  
15 **TRIC VEHICLE CREDIT AND DEDUCTION FOR**  
16 **CLEAN FUEL-VEHICLES.**

17       (a) CREDIT FOR QUALIFIED ELECTRIC VEHICLES.—  
18 Subsection (b) of section 30 (relating to limitations) is  
19 amended by striking paragraph (2) and redesignating  
20 paragraph (3) as paragraph (2).

21       (b) DEDUCTION FOR CLEAN-FUEL VEHICLES AND  
22 CERTAIN REFUELING PROPERTY.—Paragraph (1) of sec-  
23 tion 179A(b) (relating to qualified clean-fuel vehicle prop-  
24 erty) is amended to read as follows:

1           “(1) QUALIFIED CLEAN-FUEL VEHICLE PROP-  
2           ERTY.— The cost which may be taken into account  
3           under subsection (a)(1)(A) with respect to any  
4           motor vehicle shall not exceed—

5                   “(A) in the case of a motor vehicle not de-  
6                   scribed in subparagraph (B) or (C), \$2,000,

7                   “(B) in the case of any truck or van with  
8                   a gross vehicle weight rating greater than  
9                   10,000 pounds but not greater than 26,000  
10                  pounds, \$5,000, or

11                  “(C) \$50,000 in the case of—

12                           “(i) a truck or van with a gross vehi-  
13                           cle weight rating greater than 26,000  
14                           pounds, or

15                           “(ii) any bus which has a seating ca-  
16                           pacity of at least 20 adults (not including  
17                           the driver).”.

18 **SEC. 111. ALTERNATIVE MOTOR VEHICLE CREDIT.**

19           (a) IN GENERAL.—Subpart B of part IV of sub-  
20           chapter A of chapter 1 (relating to foreign tax credit, etc.)  
21           is amended by adding at the end the following:

22 **“SEC. 30B. ALTERNATIVE MOTOR VEHICLE CREDIT.**

23           “(a) ALLOWANCE OF CREDIT.—There shall be al-  
24           lowed as a credit against the tax imposed by this chapter  
25           for the taxable year an amount equal to the sum of—

1           “(1) the new qualified fuel cell motor vehicle  
2           credit determined under subsection (b), and

3           “(2) the advanced lean burn technology motor  
4           vehicle credit determined under subsection (c).

5           “(b) NEW QUALIFIED FUEL CELL MOTOR VEHICLE  
6           CREDIT.—

7           “(1) IN GENERAL.—For purposes of subsection  
8           (a), the new qualified fuel cell motor vehicle credit  
9           determined under this subsection with respect to a  
10          new qualified fuel cell motor vehicle placed in service  
11          by the taxpayer during the taxable year is—

12                  “(A) \$4,000, if such vehicle has a gross ve-  
13                  hicle weight rating of not more than 8,500  
14                  pounds,

15                  “(B) \$10,000, if such vehicle has a gross  
16                  vehicle weight rating of more than 8,500  
17                  pounds but not more than 14,000 pounds,

18                  “(C) \$20,000, if such vehicle has a gross  
19                  vehicle weight rating of more than 14,000  
20                  pounds but not more than 26,000 pounds, and

21                  “(D) \$40,000, if such vehicle has a gross  
22                  vehicle weight rating of more than 26,000  
23                  pounds.

24           “(2) INCREASE FOR FUEL EFFICIENCY.—

1           “(A) IN GENERAL.—The amount deter-  
2 mined under paragraph (1)(A) with respect to  
3 a new qualified fuel cell motor vehicle which is  
4 a passenger automobile or light truck shall be  
5 increased by—

6           “(i) \$1,000, if such vehicle achieves at  
7 least 150 percent but less than 175 per-  
8 cent of the 2000 model year city fuel econ-  
9 omy,

10          “(ii) \$1,500, if such vehicle achieves  
11 at least 175 percent but less than 200 per-  
12 cent of the 2000 model year city fuel econ-  
13 omy,

14          “(iii) \$2,000, if such vehicle achieves  
15 at least 200 percent but less than 225 per-  
16 cent of the 2000 model year city fuel econ-  
17 omy,

18          “(iv) \$2,500, if such vehicle achieves  
19 at least 225 percent but less than 250 per-  
20 cent of the 2000 model year city fuel econ-  
21 omy,

22          “(v) \$3,000, if such vehicle achieves  
23 at least 250 percent but less than 275 per-  
24 cent of the 2000 model year city fuel econ-  
25 omy,



1                   “(vi) \$3,500, if such vehicle achieves  
 2                   at least 275 percent but less than 300 per-  
 3                   cent of the 2000 model year city fuel econ-  
 4                   omy, and

5                   “(vii) \$4,000, if such vehicle achieves  
 6                   at least 300 percent of the 2000 model  
 7                   year city fuel economy.

8                   “(B) 2000 MODEL YEAR CITY FUEL ECON-  
 9                   OMY.—For purposes of subparagraph (A), the  
 10                  2000 model year city fuel economy with respect  
 11                  to a vehicle shall be determined in accordance  
 12                  with the following tables:

13                   “(i) In the case of a passenger auto-  
 14                   mobile:

<b>“If vehicle inertia weight The 2000 model year city fuel</b>	
<b>class is: economy is:</b>	
1,500 or 1,750 lbs .....	43.7 mpg
2,000 lbs .....	38.3 mpg
2,250 lbs .....	34.1 mpg
2,500 lbs .....	30.7 mpg
2,750 lbs .....	27.9 mpg
3,000 lbs .....	25.6 mpg
3,500 lbs .....	22.0 mpg
4,000 lbs .....	19.3 mpg
4,500 lbs .....	17.2 mpg
5,000 lbs .....	15.5 mpg
5,500 lbs .....	14.1 mpg
6,000 lbs .....	12.9 mpg
6,500 lbs .....	11.9 mpg
7,000 or 8,500 lbs .....	11.1 mpg.

15                   “(ii) In the case of a light truck:

<b>“If vehicle inertia weight The 2000 model year city fuel</b>	
<b>class is: economy is:</b>	
1,500 or 1,750 lbs .....	37.6 mpg
2,000 lbs .....	33.7 mpg
2,250 lbs .....	30.6 mpg
2,500 lbs .....	28.0 mpg

<b>“If vehicle inertia weight</b>	<b>The 2000 model year city fuel</b>
<b>class is:</b>	<b>economy is:</b>
2,750 lbs .....	25.9 mpg
3,000 lbs .....	24.1 mpg
3,500 lbs .....	21.3 mpg
4,000 lbs .....	19.0 mpg
4,500 lbs .....	17.3 mpg
5,000 lbs .....	15.8 mpg
5,500 lbs .....	14.6 mpg
6,000 lbs .....	13.6 mpg
6,500 lbs .....	12.8 mpg
7,000 or 8,500 lbs .....	12.0 mpg.

1                   “(C) VEHICLE INERTIA WEIGHT CLASS.—

2                   For purposes of subparagraph (B), the term  
3                   ‘vehicle inertia weight class’ has the same  
4                   meaning as when defined in regulations pre-  
5                   scribed by the Administrator of the Environ-  
6                   mental Protection Agency for purposes of the  
7                   administration of title II of the Clean Air Act  
8                   (42 U.S.C. 7521 et seq.).

9                   “(3) NEW QUALIFIED FUEL CELL MOTOR VEHI-  
10                  CLE.—For purposes of this subsection, the term  
11                  ‘new qualified fuel cell motor vehicle’ means a motor  
12                  vehicle—

13                 “(A) which is propelled by power derived  
14                 from one or more cells which convert chemical  
15                 energy directly into electricity by combining ox-  
16                 ygen with hydrogen fuel which is stored on  
17                 board the vehicle in any form and may or may  
18                 not require reformation prior to use,

19                 “(B) which, in the case of a passenger  
20                 automobile or light truck—

1                   “(i) for 2004 and later model vehicles,  
2                   has received a certificate of conformity  
3                   under the Clean Air Act and meets or ex-  
4                   ceeds the equivalent qualifying California  
5                   low emission vehicle standard under sec-  
6                   tion 243(e)(2) of the Clean Air Act for  
7                   that make and model year, and

8                   “(ii) for 2004 and later model vehi-  
9                   cles, has received a certificate that such ve-  
10                  hicle meets or exceeds the Bin 5 Tier II  
11                  emission level established in regulations  
12                  prescribed by the Administrator of the En-  
13                  vironmental Protection Agency under sec-  
14                  tion 202(i) of the Clean Air Act for that  
15                  make and model year vehicle,

16                  “(C) the original use of which commences  
17                  with the taxpayer,

18                  “(D) which is acquired for use or lease by  
19                  the taxpayer and not for resale, and

20                  “(E) which is made by a manufacturer.

21                  “(c) ADVANCED LEAN BURN TECHNOLOGY MOTOR  
22                  VEHICLE CREDIT.—

23                  “(1) IN GENERAL.—For purposes of subsection  
24                  (a), the advanced lean burn technology motor vehicle  
25                  credit determined under this subsection with respect

1 to a new qualified advanced lean burn technology  
2 motor vehicle placed in service by the taxpayer dur-  
3 ing the taxable year is the credit amount determined  
4 under paragraph (2).

5 “(2) CREDIT AMOUNT.—

6 “(A) INCREASE FOR FUEL EFFICIENCY.—

7 The credit amount determined under this para-  
8 graph shall be—

9 “(i) \$500, if such vehicle achieves at  
10 least 125 percent but less than 150 per-  
11 cent of the 2000 model year city fuel econ-  
12 omy,

13 “(ii) \$1,000, if such vehicle achieves  
14 at least 150 percent but less than 175 per-  
15 cent of the 2000 model year city fuel econ-  
16 omy,

17 “(iii) \$1,500, if such vehicle achieves  
18 at least 175 percent but less than 200 per-  
19 cent of the 2000 model year city fuel econ-  
20 omy,

21 “(iv) \$2,000, if such vehicle achieves  
22 at least 200 percent but less than 225 per-  
23 cent of the 2000 model year city fuel econ-  
24 omy,

1                   “(v) \$2,500, if such vehicle achieves  
2                   at least 225 percent but less than 250 per-  
3                   cent of the 2000 model year city fuel econ-  
4                   omy, and

5                   “(vi) \$3,000, if such vehicle achieves  
6                   at least 250 percent of the 2000 model  
7                   year city fuel economy.

8                   For purposes of clause (i), the 2000 model year  
9                   city fuel economy with respect to a vehicle shall  
10                  be determined using the tables provided in sub-  
11                  section (b)(2)(B) with respect to such vehicle.

12                  “(B)     CONSERVATION     CREDIT.—The  
13                  amount determined under subparagraph (A)  
14                  with respect to an advanced lean burn tech-  
15                  nology motor vehicle shall be increased by—

16                         “(i) \$250, if such vehicle achieves a  
17                         lifetime fuel savings of at least 1,500 gal-  
18                         lons of gasoline, and

19                         “(ii) \$500, if such vehicle achieves a  
20                         lifetime fuel savings of at least 2,500 gal-  
21                         lons of gasoline.

22                  “(C)   OPTION TO USE LIKE VEHICLE.—At  
23                  the option of the vehicle manufacturer, the in-  
24                  crease for fuel efficiency and conservation credit  
25                  may be calculated by comparing the new ad-

1           vanded lean-burn technology motor vehicle to a  
2           like vehicle.

3           “(3) DEFINITIONS.—For purposes of this sub-  
4           section.—

5           “(A) ADVANCED LEAN BURN TECHNOLOGY  
6           MOTOR VEHICLE.—The term ‘advanced lean  
7           burn technology motor vehicle’ means a motor  
8           vehicle with an internal combustion engine  
9           that—

10           “(i) is designed to operate primarily  
11           using more air than is necessary for com-  
12           plete combustion of the fuel,

13           “(ii) incorporates direct injection,

14           “(iii) achieves at least 125 percent of  
15           the 2000 model year city fuel economy,  
16           and

17           “(iv) for 2004 and later model vehi-  
18           cles, has received a certificate that such ve-  
19           hicle meets or exceeds the Bin 5, Tier 2  
20           emission levels (for passenger vehicles) or  
21           Bin 8, Tier 2 emission levels (for light  
22           trucks) established in regulations pre-  
23           scribed by the Administrator of the Envi-  
24           ronmental Protection Agency under section

1                   202(i) of the Clean Air Act for that make  
2                   and model year vehicle.

3                   “(B) LIKE VEHICLE.—The term ‘like vehi-  
4                   cle’ for an advanced lean burn technology motor  
5                   vehicle derived from a conventional production  
6                   vehicle produced in the same model year means  
7                   a model that is equivalent in the following  
8                   areas:

9                   “(i) Body style (2-door or 4-door),

10                  “(ii) Transmission (automatic or man-  
11                  ual),

12                  “(iii) Acceleration performance ( $\pm$   
13                  0.05 seconds).

14                  “(iv) Drivetrain (2-wheel drive or 4-  
15                  wheel drive).

16                  “(v) Certification by the Adminis-  
17                  trator of the Environmental Protection  
18                  Agency.

19                  “(C) LIFETIME FUEL SAVINGS.—The term  
20                  ‘lifetime fuel savings’ shall be calculated by di-  
21                  viding 120,000 by the difference between the  
22                  2000 model year city fuel economy for the vehi-  
23                  cle inertia weight class and the city fuel econ-  
24                  omy for the new qualified hybrid motor vehicle.

1       “(d) LIMITATION BASED ON AMOUNT OF TAX.—The  
2 credit allowed under subsection (a) for the taxable year  
3 shall not exceed the excess of—

4               “(1) the sum of the regular tax liability (as de-  
5 fined in section 26(b)) plus the tax imposed by sec-  
6 tion 55, over

7               “(2) the sum of the credits allowable under sub-  
8 part A and sections 27, 29, and 30A for the taxable  
9 year.

10       “(e) OTHER DEFINITIONS AND SPECIAL RULES.—  
11 For purposes of this section—

12               “(1) CONSUMABLE FUEL.—The term  
13 ‘consumable fuel’ means any solid, liquid, or gaseous  
14 matter which releases energy when consumed by an  
15 auxiliary power unit.

16               “(2) MOTOR VEHICLE.—The term ‘motor vehi-  
17 cle’ has the meaning given such term by section  
18 30(c)(2).

19               “(3) 2000 MODEL YEAR CITY FUEL ECON-  
20 OMY.—The 2000 model year city fuel economy with  
21 respect to any vehicle shall be measured under rules  
22 similar to the rules under section 4064(c).

23               “(4) OTHER TERMS.—The terms ‘automobile’,  
24 ‘passenger automobile’, ‘light truck’, and ‘manufac-  
25 turer’ have the meanings given such terms in regula-



1        tions prescribed by the Administrator of the Envi-  
2        ronmental Protection Agency for purposes of the ad-  
3        ministration of title II of the Clean Air Act (42  
4        U.S.C. 7521 et seq.).

5            “(5) REDUCTION IN BASIS.—For purposes of  
6        this subtitle, the basis of any property for which a  
7        credit is allowable under subsection (a) shall be re-  
8        duced by the amount of such credit so allowed.

9            “(6) NO DOUBLE BENEFIT.—The amount of  
10       any deduction or credit allowable under this chapter  
11       (other than the credit allowable under this section),  
12       with respect to a vehicle described under subsection  
13       (b), shall be reduced by the amount of credit allowed  
14       under subsection (a) for such vehicle for the taxable  
15       year.

16           “(7) PROPERTY USED BY TAX-EXEMPT ENTI-  
17       TIES.—In the case of a credit amount which is al-  
18       lowable with respect to a motor vehicle which is ac-  
19       quired by an entity exempt from tax under this  
20       chapter, the person which sells or leases such vehicle  
21       to the entity shall be treated as the taxpayer with  
22       respect to the vehicle for purposes of this section  
23       and the credit shall be allowed to such person, but  
24       only if the person clearly discloses to the entity in  
25       any sale or lease document the specific amount of

1 any credit otherwise allowable to the entity under  
2 this section.

3 “(8) RECAPTURE.—The Secretary shall, by reg-  
4 ulations, provide for recapturing the benefit of any  
5 credit allowable under subsection (a) with respect to  
6 any property which ceases to be property eligible for  
7 such credit (including recapture in the case of a  
8 lease period of less than the economic life of a vehi-  
9 cle).

10 “(9) PROPERTY USED OUTSIDE UNITED  
11 STATES, ETC., NOT QUALIFIED.—No credit shall be  
12 allowed under subsection (a) with respect to any  
13 property referred to in section 50(b) or with respect  
14 to the portion of the cost of any property taken into  
15 account under section 179.

16 “(10) ELECTION TO NOT TAKE CREDIT.—No  
17 credit shall be allowed under subsection (a) for any  
18 vehicle if the taxpayer elects to not have this section  
19 apply to such vehicle.

20 “(11) CARRYFORWARD ALLOWED.—

21 “(A) IN GENERAL.—If the credit amount  
22 allowable under subsection (a) for a taxable  
23 year exceeds the amount of the limitation under  
24 subsection (d) for such taxable year (referred to  
25 as the ‘unused credit year’ in this paragraph),

1           such excess shall be allowed as a credit  
2           carryforward for each of the 20 taxable years  
3           following the unused credit year.

4           “(B) RULES.—Rules similar to the rules of  
5           section 39 shall apply with respect to the credit  
6           carryforward under subparagraph (A).

7           “(12) INTERACTION WITH AIR QUALITY AND  
8           MOTOR VEHICLE SAFETY STANDARDS.—Unless oth-  
9           erwise provided in this section, a motor vehicle shall  
10          not be considered eligible for a credit under this sec-  
11          tion unless such vehicle is in compliance with—

12           “(A) the applicable provisions of the Clean  
13          Air Act for the applicable make and model year  
14          of the vehicle (or applicable air quality provi-  
15          sions of State law in the case of a State which  
16          has adopted such provision under a waiver  
17          under section 209(b) of the Clean Air Act), and

18           “(B) the motor vehicle safety provisions of  
19          sections 30101 through 30169 of title 49,  
20          United States Code.

21          “(f) REGULATIONS.—

22           “(1) IN GENERAL.—The Secretary shall pro-  
23          mulgate such regulations as necessary to carry out  
24          the provisions of this section.

1           “(2) DETERMINATION OF MOTOR VEHICLE ELI-  
2           GIBILITY.—The Secretary, in coordination with the  
3           Secretary of Transportation and the Administrator  
4           of the Environmental Protection Agency, shall pre-  
5           scribe such regulations as necessary to determine  
6           whether a motor vehicle meets the requirements to  
7           be eligible for a credit under this section.

8           “(g) TERMINATION.—This section shall not apply to  
9           any property placed in service after—

10           “(1) in the case of a new qualified fuel cell  
11           motor vehicle (as described in subsection (b)), De-  
12           cember 31, 2012, and

13           “(2) in the case of any other property, Decem-  
14           ber 31, 2006.”.

15           (b) CONFORMING AMENDMENTS.—

16           (1) Section 1016(a) is amended by striking  
17           “and” at the end of paragraph (30), by striking the  
18           period at the end of paragraph (31) and inserting “,  
19           and”, and by adding at the end the following:

20           “(32) to the extent provided in section  
21           30B(e)(5).”.

22           (2) Section 6501(m) is amended by inserting  
23           “30B(e)(10),” after “30(d)(4),”.

24           (3) The table of sections for subpart B of part  
25           IV of subchapter A of chapter 1 is amended by in-

1       serting after the item relating to section 30A the fol-  
2       lowing:

“Sec. 30B. Alternative motor vehicle credit.”.

3       (c) EFFECTIVE DATE.—The amendments made by  
4 this section shall apply to property placed in service after  
5 December 31, 2003, in taxable years ending after such  
6 date.

## 7                   **TITLE II—RELIABILITY**

### 8   **SEC. 201. NATURAL GAS GATHERING LINES TREATED AS 7-** 9                   **YEAR PROPERTY.**

10       (a) IN GENERAL.—Subparagraph (C) of section  
11 168(e)(3) (relating to classification of certain property) is  
12 amended by striking “and” at the end of clause (i), by  
13 redesignating clause (ii) as clause (iii), and by inserting  
14 after clause (i) the following new clause:

15                   “(ii) any natural gas gathering line,  
16                   and”.

17       (b) NATURAL GAS GATHERING LINE.—Subsection (i)  
18 of section 168 is amended by adding after paragraph (15)  
19 the following new paragraph:

20                   “(16) NATURAL GAS GATHERING LINE.—The  
21       term ‘natural gas gathering line’ means—

22                   “(A) the pipe, equipment, and appur-  
23       tenances determined to be a gathering line by  
24       the Federal Energy Regulatory Commission, or

1           “(B) the pipe, equipment, and appur-  
2           tenances used to deliver natural gas from the  
3           wellhead or a commonpoint to the point at  
4           which such gas first reaches—

5                   “(i) a gas processing plant,

6                   “(ii) an interconnection with a trans-  
7           mission pipeline certificated by the Federal  
8           Energy Regulatory Commission as an  
9           interstate transmission pipeline,

10                   “(iii) an interconnection with an  
11           intrastate transmission pipeline, or

12                   “(iv) a direct interconnection with a  
13           local distribution company, a gas storage  
14           facility, or an industrial consumer.”.

15           (c) ALTERNATIVE SYSTEM.—The table contained in  
16   section 168(g)(3)(B) is amended by inserting after the  
17   item relating to subparagraph (C)(i) the following:

          “(C)(ii) ..... 10”.

18           (d) ALTERNATIVE MINIMUM TAX EXCEPTION.—Sub-  
19   paragraph (B) of section 56(a)(1) is amended by inserting  
20   before the period the following: “, or in section  
21   168(e)(3)(C)(ii)”.

22           (e) EFFECTIVE DATE.—The amendments made by  
23   this section shall apply to property placed in service after  
24   the date of the enactment of this Act.

1   **SEC. 202. NATURAL GAS DISTRIBUTION LINES TREATED AS**  
2                   **15-YEAR PROPERTY.**

3           (a) IN GENERAL.—Subparagraph (E) of section  
4 168(e)(3) (relating to classification of certain property) is  
5 amended by striking “and” at the end of clause (ii), by  
6 striking the period at the end of clause (iii) and by insert-  
7 ing “, and”, and by adding at the end the following new  
8 clause:

9                               “(iv) any natural gas distribution  
10                              line.”.

11          (b) ALTERNATIVE SYSTEM.—The table contained in  
12 section 168(g)(3)(B) is amended by inserting after the  
13 item relating to subparagraph (E)(iii) the following:

          “(E)(iv) ..... 20”.

14          (c) ALTERNATIVE MINIMUM TAX EXCEPTION.—Sub-  
15 paragraph (B) of section 56(a)(1) is amended by inserting  
16 before the period the following: “, or in section  
17 168(e)(3)(E)(iv)”.

18          (d) EFFECTIVE DATE.—The amendments made by  
19 this section shall apply to property placed in service after  
20 the date of the enactment of this Act.

21   **SEC. 203. ELECTRIC TRANSMISSION PROPERTY TREATED**  
22                   **AS 15-YEAR PROPERTY.**

23           (a) IN GENERAL.—Subparagraph (E) of section  
24 168(e)(3) (relating to classification of certain property) is  
25 amended by striking “and” at the end of clause (iii), by

1 striking the period at the end of clause (iv) and by insert-  
2 ing “, and”, and by adding at the end the following new  
3 clause:

4 “(v) any section 1245 property (as de-  
5 fined in section 1245(a)(3)) used in the  
6 transmission at 69 or more kilovolts of  
7 electricity for sale.”.

8 (b) ALTERNATIVE SYSTEM.—The table contained in  
9 section 168(g)(3)(B) is amended by inserting after the  
10 item relating to subparagraph (E)(iv) the following:

“(E)(v) ..... 20”.

11 (c) ALTERNATIVE MINIMUM TAX EXCEPTION.—Sub-  
12 paragraph (B) of section 56(a)(1) is amended by inserting  
13 before the period the following: “, or in section  
14 168(e)(3)(E)(v)”.

15 (d) EFFECTIVE DATE.—The amendments made by  
16 this section shall apply to property placed in service after  
17 the date of the enactment of this Act.

18 **SEC. 204. EXPENSING OF CAPITAL COSTS INCURRED IN**  
19 **COMPLYING WITH ENVIRONMENTAL PROTEC-**  
20 **TION AGENCY SULFUR REGULATIONS.**

21 (a) IN GENERAL.—Part VI of subchapter B of chap-  
22 ter 1 (relating to itemized deductions for individuals and  
23 corporations) is amended by inserting after section 179A  
24 the following new section:



1 **“SEC. 179B. DEDUCTION FOR CAPITAL COSTS INCURRED IN**  
2 **COMPLYING WITH ENVIRONMENTAL PROTEC-**  
3 **TION AGENCY SULFUR REGULATIONS.**

4 “(a) TREATMENT AS EXPENSES.—A small business  
5 refiner (as defined in section 45H(c)(1)) may elect to treat  
6 75 percent of qualified capital costs (as defined in section  
7 45H(c)(2)) which are paid or incurred by the taxpayer  
8 during the taxable year as expenses which are not charge-  
9 able to capital account. Any cost so treated shall be al-  
10 lowed as a deduction for the taxable year in which paid  
11 or incurred.

12 “(b) REDUCED PERCENTAGE.—In the case of a small  
13 business refiner with average daily domestic refinery runs  
14 for the 1-year period ending on March 31, 2003, in excess  
15 of 155,000 barrels, the number of percentage points de-  
16 scribed in subsection (a) shall be reduced (not below zero)  
17 by the product of such number (before the application of  
18 this subsection) and the ratio of such excess to 50,000  
19 barrels.

20 “(c) BASIS REDUCTION.—

21 “(1) IN GENERAL.—For purposes of this title,  
22 the basis of any property shall be reduced by the  
23 portion of the cost of such property taken into ac-  
24 count under subsection (a).

25 “(2) ORDINARY INCOME RECAPTURE.—For  
26 purposes of section 1245, the amount of the deduc-

1       tion allowable under subsection (a) with respect to  
2       any property which is of a character subject to the  
3       allowance for depreciation shall be treated as a de-  
4       duction allowed for depreciation under section 167.”.

5       (b) CONFORMING AMENDMENTS.—

6           (1) Section 263(a)(1) is amended by striking “;  
7       or” at the end of subparagraph (G), by striking the  
8       period at the end of subparagraph (H) and inserting  
9       “, or”, and by adding at the end the following new  
10      subparagraph:

11           “(I) expenditures for which a deduction is  
12      allowed under section 179B.”.

13      (2) Section 312(k)(3)(B) is amended—

14           (A) by striking “section 179 or 179A”  
15      each place it appears and inserting “section  
16      179, 179A, or 179B”, and

17           (B) in the heading, by striking “179 OR  
18      179A” and inserting “179, 179A, OR 179B”.

19      (3) Section 1016(a) is amended by striking  
20      “and” at the end of paragraph (31), by striking the  
21      period at the end of paragraph (32) and inserting “,  
22      and”, and by adding at the end the following new  
23      paragraph:

24           “(33) to the extent provided in section  
25      179B(c).”

1           (4) Paragraphs (2)(C) and (3)(C) of section  
2       1245(a) are each amended by inserting “179B,”  
3       after “179A,”.

4           (5) The table of sections for part VI of sub-  
5       chapter B of chapter 1 is amended by inserting after  
6       the item relating to section 179A the following new  
7       item:

                  “Sec. 179B. Deduction for capital costs incurred in complying  
                                  with Environmental Protection Agency sulfur regu-  
                                  lations.”.

8           (c) EFFECTIVE DATE.—The amendment made by  
9       this section shall apply to expenses paid or incurred after  
10      March 31, 2003.

11   **SEC. 205. CREDIT FOR PRODUCTION OF LOW SULFUR DIE-**  
12                           **SEL FUEL.**

13           (a) IN GENERAL.—Subpart D of part IV of sub-  
14      chapter A of chapter 1 (relating to business-related cred-  
15      its) is amended by adding at the end the following new  
16      section:

17   **“SEC. 45H. CREDIT FOR PRODUCTION OF LOW SULFUR DIE-**  
18                           **SEL FUEL.**

19           “(a) IN GENERAL.—For purposes of section 38, the  
20      amount of the low sulfur diesel fuel production credit de-  
21      termined under this section with respect to any facility  
22      of a small business refiner is an amount equal to 5 cents  
23      for each gallon of low sulfur diesel fuel produced during

1 the taxable year by such small business refiner at such  
2 facility.

3 “(b) MAXIMUM CREDIT.—

4 “(1) IN GENERAL.—The aggregate credit deter-  
5 mined under subsection (a) for any taxable year with  
6 respect to any facility shall not exceed—

7 “(A) 25 percent of the qualified capital  
8 costs incurred by the small business refiner  
9 with respect to such facility, reduced by

10 “(B) the aggregate credits determined  
11 under this section for all prior taxable years  
12 with respect to such facility.

13 “(2) REDUCED PERCENTAGE.—In the case of a  
14 small business refiner with average daily domestic  
15 refinery runs for the 1-year period ending on March  
16 31, 2003, in excess of 155,000 barrels, the number  
17 of percentage points described in paragraph (1) shall  
18 be reduced (not below zero) by the product of such  
19 number (before the application of this paragraph)  
20 and the ratio of such excess to 50,000 barrels.

21 “(c) DEFINITIONS.—For purposes of this section—

22 “(1) SMALL BUSINESS REFINER.—The term  
23 ‘small business refiner’ means, with respect to any  
24 taxable year, a refiner of crude oil with respect to  
25 which not more than 1,500 persons are engaged in

1 the refinery operations of the business on any day  
2 during such taxable year and whose average daily  
3 domestic refinery run for the 1-year period ending  
4 on March 31, 2003, did not exceed 205,000 barrels.

5 “(2) QUALIFIED CAPITAL COSTS.—The term  
6 ‘qualified capital costs’ means, with respect to any  
7 facility, those costs paid or incurred during the ap-  
8 plicable period for compliance with the applicable  
9 EPA regulations with respect to such facility, includ-  
10 ing expenditures for the construction of new process  
11 operation units or the dismantling and reconstruc-  
12 tion of existing process units to be used in the pro-  
13 duction of low sulfur diesel fuel, associated adjacent  
14 or offsite equipment (including tankage, catalyst,  
15 and power supply), engineering, construction period  
16 interest, and sitework.

17 “(3) APPLICABLE EPA REGULATIONS.—The  
18 term ‘applicable EPA regulations’ means the High-  
19 way Diesel Fuel Sulfur Control Requirements of the  
20 Environmental Protection Agency.

21 “(4) APPLICABLE PERIOD.—The term ‘applica-  
22 ble period’ means, with respect to any facility, the  
23 period beginning on April 1, 2003, and ending with  
24 the date which is 1 year after the date on which the

1 taxpayer must comply with the applicable EPA regu-  
2 lations with respect to such facility.

3 “(5) LOW SULFUR DIESEL FUEL.—The term  
4 ‘low sulfur diesel fuel’ means diesel fuel with a sul-  
5 fur content of 15 parts per million or less.

6 “(d) REDUCTION IN BASIS.—For purposes of this  
7 subtitle, if a credit is determined under this section with  
8 respect to any property by reason of qualified capital  
9 costs, the basis of such property shall be reduced by the  
10 amount of the credit so determined.

11 “(e) CERTIFICATION.—

12 “(1) REQUIRED.—Not later than the date  
13 which is 30 months after the first day of the first  
14 taxable year in which the low sulfur diesel fuel pro-  
15 duction credit is allowed with respect to a facility,  
16 the small business refiner must obtain certification  
17 from the Secretary, in consultation with the Admin-  
18 istrator of the Environmental Protection Agency,  
19 that the taxpayer’s qualified capital costs with re-  
20 spect to such facility will result in compliance with  
21 the applicable EPA regulations.

22 “(2) CONTENTS OF APPLICATION.—An applica-  
23 tion for certification shall include relevant informa-  
24 tion regarding unit capacities and operating charac-  
25 teristics sufficient for the Secretary, in consultation

1 with the Administrator of the Environmental Protec-  
2 tion Agency, to determine that such qualified capital  
3 costs are necessary for compliance with the applica-  
4 ble EPA regulations.

5 “(3) REVIEW PERIOD.—Any application shall  
6 be reviewed and notice of certification, if applicable,  
7 shall be made within 60 days of receipt of such ap-  
8 plication.

9 “(4) STATUTE OF LIMITATIONS.—With respect  
10 to the credit allowed under this section—

11 “(A) the statutory period for the assess-  
12 ment of any deficiency attributable to such  
13 credit shall not expire before the end of the 3-  
14 year period ending on the date that the review  
15 period described in paragraph (3) ends, and

16 “(B) such deficiency may be assessed be-  
17 fore the expiration of such 3-year period not-  
18 withstanding the provisions of any other law or  
19 rule of law which would otherwise prevent such  
20 assessment.

21 “(f) CONTROLLED GROUPS.—For purposes of this  
22 section, all persons treated as a single employer under sub-  
23 section (b), (c), (m), or (o) of section 414 shall be treated  
24 as 1 taxpayer.”.

1 (b) CREDIT MADE PART OF GENERAL BUSINESS

2 CREDIT.—Subsection (b) of section 38 (relating to general  
3 business credit) is amended by striking “plus” at the end  
4 of paragraph (15), by striking the period at the end of  
5 paragraph (16) and inserting “, plus”, and by adding at  
6 the end the following new paragraph:

7 “(17) in the case of a small business refiner,  
8 the low sulfur diesel fuel production credit deter-  
9 mined under section 45H(a).”.

10 (c) DENIAL OF DOUBLE BENEFIT.—Section 280C  
11 (relating to certain expenses for which credits are allow-  
12 able) is amended by adding after subsection (d) the fol-  
13 lowing new subsection:

14 “(e) LOW SULFUR DIESEL FUEL PRODUCTION  
15 CREDIT.—No deduction shall be allowed for that portion  
16 of the expenses otherwise allowable as a deduction for the  
17 taxable year which is equal to the amount of the credit  
18 determined for the taxable year under section 45H(a).”.

19 (d) BASIS ADJUSTMENT.—Section 1016(a) (relating  
20 to adjustments to basis) is amended by striking “and” at  
21 the end of paragraph (33), by striking the period at the  
22 end of paragraph (32) and inserting “, and”, and by add-  
23 ing at the end the following new paragraph:



1           “(34) in the case of a facility with respect to  
2           which a credit was allowed under section 45H, to  
3           the extent provided in section 45H(d).”.

4           (e) CLERICAL AMENDMENT.—The table of sections  
5           for subpart D of part IV of subchapter A of chapter 1  
6           is amended by adding at the end the following new item:

          “Sec. 45H. Credit for production of low sulfur diesel fuel.”.

7           (f) EFFECTIVE DATE.—The amendments made by  
8           this section shall apply to expenses paid or incurred after  
9           March 31, 2003, in taxable years ending after such date.

10   **SEC. 206. DETERMINATION OF SMALL REFINER EXCEPTION**  
11                           **TO OIL DEPLETION DEDUCTION.**

12           (a) IN GENERAL.—Paragraph (4) of section 613A(d)  
13           (relating to certain refiners excluded) is amended to read  
14           as follows:

15           “(4) CERTAIN REFINERS EXCLUDED.—If the  
16           taxpayer or a related person engages in the refining  
17           of crude oil, subsection (c) shall not apply to the  
18           taxpayer for a taxable year if the average daily refin-  
19           ery runs of the taxpayer and the related person for  
20           the taxable year exceed 75,000 barrels. For purposes  
21           of this paragraph, the average daily refinery runs for  
22           any taxable year shall be determined by dividing the  
23           aggregate refinery runs for the taxable year by the  
24           number of days in the taxable year.”.

1 (b) EFFECTIVE DATE.—The amendment made by  
2 this section shall apply to taxable years beginning after  
3 December 31, 2003.

4 **SEC. 207. SALES OR DISPOSITIONS TO IMPLEMENT FED-**  
5 **ERAL ENERGY REGULATORY COMMISSION**  
6 **OR STATE ELECTRIC RESTRUCTURING POL-**  
7 **ICY.**

8 (a) IN GENERAL.—Section 451 (relating to general  
9 rule for taxable year of inclusion) is amended by adding  
10 at the end the following new subsection:

11 “(i) SPECIAL RULE FOR SALES OR DISPOSITIONS TO  
12 IMPLEMENT FEDERAL ENERGY REGULATORY COMMIS-  
13 SION OR STATE ELECTRIC RESTRUCTURING POLICY.—

14 “(1) IN GENERAL.—In the case of any quali-  
15 fying electric transmission transaction to which the  
16 taxpayer elects the application of this section, quali-  
17 fied gain from such transaction shall be  
18 recognized—

19 “(A) in the taxable year which includes the  
20 date of such transaction to the extent the  
21 amount realized from such transaction  
22 exceeds—

23 “(i) the cost of exempt utility property  
24 which is purchased by the taxpayer during

1 the 4-year period beginning on such date,  
2 reduced (but not below zero) by

3 “(ii) any portion of such cost pre-  
4 viously taken into account under this sub-  
5 section, and

6 “(B) ratably over the 8-taxable year period  
7 beginning with the taxable year which includes  
8 the date of such transaction, in the case of any  
9 such gain not recognized under subparagraph  
10 (A).

11 “(2) QUALIFIED GAIN.—For purposes of this  
12 subsection, the term ‘qualified gain’ means, with re-  
13 spect to any qualifying electric transmission trans-  
14 action in any taxable year—

15 “(A) any ordinary income derived from  
16 such transaction which would be required to be  
17 recognized under section 1245 or 1250 for such  
18 taxable year (determined without regard to this  
19 subsection), and

20 “(B) any income derived from such trans-  
21 action in excess of the amount described in sub-  
22 paragraph (A) which is required to be included  
23 in gross income for such taxable year (deter-  
24 mined without regard to this subsection).

1           “(3) QUALIFYING ELECTRIC TRANSMISSION  
2 TRANSACTION.—For purposes of this subsection, the  
3 term ‘qualifying electric transmission transaction’  
4 means any sale or other disposition before January  
5 1, 2007, of—

6           “(A) property used in the trade or business  
7 of providing electric transmission services, or

8           “(B) any stock or partnership interest in a  
9 corporation or partnership, as the case may be,  
10 whose principal trade or business consists of  
11 providing electric transmission services,  
12 but only if such sale or disposition is to an inde-  
13 pendent transmission company.

14           “(4) INDEPENDENT TRANSMISSION COM-  
15 PANY.—For purposes of this subsection, the term  
16 ‘independent transmission company’ means—

17           “(A) an independent transmission provider  
18 approved by the Federal Energy Regulatory  
19 Commission,

20           “(B) a person—

21           “(i) who the Federal Energy Regu-  
22 latory Commission determines in its au-  
23 thorization of the transaction under section  
24 203 of the Federal Power Act (16 U.S.C.  
25 824b) or by declaratory order is not a

1 market participant within the meaning of  
2 such Commission's rules applicable to inde-  
3 pendent transmission providers, and

4 “(ii) whose transmission facilities to  
5 which the election under this subsection  
6 applies are under the operational control of  
7 a Federal Energy Regulatory Commission-  
8 approved independent transmission pro-  
9 vider before the close of the period speci-  
10 fied in such authorization, but not later  
11 than the close of the period applicable  
12 under subsection (a)(2)(B) as extended  
13 under paragraph (2), or

14 “(C) in the case of facilities subject to the  
15 jurisdiction of the Public Utility Commission of  
16 Texas—

17 “(i) a person which is approved by  
18 that Commission as consistent with Texas  
19 State law regarding an independent trans-  
20 mission provider, or

21 “(ii) a political subdivision or affiliate  
22 thereof whose transmission facilities are  
23 under the operational control of a person  
24 described in clause (i).

1           “(5) EXEMPT UTILITY PROPERTY.—For pur-  
2       poses of this subsection—

3           “(A) IN GENERAL.—The term ‘exempt  
4       utility property’ means property used in the  
5       trade or business of—

6           “(i) generating, transmitting, distrib-  
7       uting, or selling electricity, or

8           “(ii) producing, transmitting, distrib-  
9       uting, or selling natural gas.

10          “(B) NONRECOGNITION OF GAIN BY REA-  
11       SON OF ACQUISITION OF STOCK.—Acquisition of  
12       control of a corporation shall be taken into ac-  
13       count under this subsection with respect to a  
14       qualifying electric transmission transaction only  
15       if the principal trade or business of such cor-  
16       poration is a trade or business referred to in  
17       subparagraph (A).

18          “(6) SPECIAL RULE FOR CONSOLIDATED  
19       GROUPS.—In the case of a corporation which is a  
20       member of an affiliated group filing a consolidated  
21       return, any exempt utility property purchased by an-  
22       other member of such group shall be treated as pur-  
23       chased by such corporation for purposes of applying  
24       paragraph (1)(A).

1           “(7) TIME FOR ASSESSMENT OF DEFICI-  
2           CIENCIES.—If the taxpayer has made the election  
3           under paragraph (1) and any gain is recognized by  
4           such taxpayer as provided in paragraph (1)(B),  
5           then—

6                   “(A) the statutory period for the assess-  
7                   ment of any deficiency, for any taxable year in  
8                   which any part of the gain on the transaction  
9                   is realized, attributable to such gain shall not  
10                  expire prior to the expiration of 3 years from  
11                  the date the Secretary is notified by the tax-  
12                  payer (in such manner as the Secretary may by  
13                  regulations prescribe) of the purchase of exempt  
14                  utility property described in paragraph (1)(A)(i)  
15                  or of an intention not to purchase such prop-  
16                  erty, and

17                   “(B) such deficiency may be assessed be-  
18                   fore the expiration of such 3-year period not-  
19                   withstanding any law or rule of law which  
20                   would otherwise prevent such assessment.

21           “(8) PURCHASE.—For purposes of this sub-  
22           section, the taxpayer shall be considered to have  
23           purchased any property if the unadjusted basis of  
24           such property is its cost within the meaning of sec-  
25           tion 1012.

1           “(9) ELECTION.—An election under paragraph  
2           (1) shall be made at such time and in such manner  
3           as the Secretary may require and, once made, shall  
4           be irrevocable.”.

5           (b) EFFECTIVE DATE.—The amendments made by  
6           this section shall apply to transactions occurring after the  
7           date of the enactment of this Act.

8   **SEC. 208. MODIFICATIONS TO SPECIAL RULES FOR NU-**  
9                           **CLEAR DECOMMISSIONING COSTS.**

10          (a) REPEAL OF LIMITATION ON DEPOSITS INTO  
11          FUND BASED ON COST OF SERVICE; CONTRIBUTIONS  
12          AFTER FUNDING PERIOD.—Subsection (b) of section  
13          468A is amended to read as follows:

14          “(b) LIMITATION ON AMOUNTS PAID INTO FUND.—

15               “(1) IN GENERAL.—The amount which a tax-  
16               payer may pay into the Fund for any taxable year  
17               shall not exceed the ruling amount applicable to  
18               such taxable year.

19               “(2) CONTRIBUTIONS AFTER FUNDING PE-  
20               RIOD.—Notwithstanding any other provision of this  
21               section, a taxpayer may pay into the Fund in any  
22               taxable year after the last taxable year to which the  
23               ruling amount applies. Payments may not be made  
24               under the preceding sentence to the extent such pay-  
25               ments would cause the assets of the Fund to exceed



1 the nuclear decommissioning costs allocable to the  
2 taxpayer's current or former interest in the nuclear  
3 power plant to which the Fund relates. The limita-  
4 tion under the preceding sentence shall be deter-  
5 mined by taking into account a reasonable rate of  
6 inflation for the nuclear decommissioning costs and  
7 a reasonable after-tax rate of return on the assets  
8 of the Fund until such assets are anticipated to be  
9 expended.”.

10 (b) CLARIFICATION OF TREATMENT OF FUND  
11 TRANSFERS.—Subsection (e) of section 468A is amended  
12 by adding at the end the following new paragraph:

13 “(8) TREATMENT OF FUND TRANSFERS.—If, in  
14 connection with the transfer of the taxpayer's inter-  
15 est in a nuclear power plant, the taxpayer transfers  
16 the Fund with respect to such power plant to the  
17 transferee of such interest and the transferee elects  
18 to continue the application of this section to such  
19 Fund—

20 “(A) the transfer of such Fund shall not  
21 cause such Fund to be disqualified from the ap-  
22 plication of this section, and

23 “(B) no amount shall be treated as distrib-  
24 uted from such Fund, or be includible in gross  
25 income, by reason of such transfer.”.

1       (c) TREATMENT OF CERTAIN DECOMMISSIONING  
2 COSTS.—

3           (1) IN GENERAL.—Section 468A is amended by  
4 redesignating subsections (f) and (g) as subsections  
5 (g) and (h), respectively, and by inserting after sub-  
6 section (e) the following new subsection:

7       “(f) TRANSFERS INTO QUALIFIED FUNDS.—

8           “(1) IN GENERAL.—Notwithstanding subsection  
9 (b), any taxpayer maintaining a Fund to which this  
10 section applies with respect to a nuclear power plant  
11 may transfer into such Fund up to an amount equal  
12 to the excess of the total nuclear decommissioning  
13 costs with respect to such nuclear power plant over  
14 the portion of such costs taken into account in de-  
15 termining the ruling amount in effect immediately  
16 before the transfer.

17       “(2) DEDUCTION FOR AMOUNTS TRANS-  
18 FERRED.—

19           “(A) IN GENERAL.—Except as provided in  
20 subparagraph (C), the deduction allowed by  
21 subsection (a) for any transfer permitted by  
22 this subsection shall be allowed ratably over the  
23 remaining estimated useful life (within the  
24 meaning of subsection (d)(2)(A)) of the nuclear

1 power plant beginning with the taxable year  
2 during which the transfer is made.

3 “(B) DENIAL OF DEDUCTION FOR PRE-  
4 VIOUSLY DEDUCTED AMOUNTS.—No deduction  
5 shall be allowed for any transfer under this sub-  
6 section of an amount for which a deduction was  
7 previously allowed or a corresponding amount  
8 was not included in gross income. For purposes  
9 of the preceding sentence, a ratable portion of  
10 each transfer shall be treated as being from  
11 previously deducted or excluded amounts to the  
12 extent thereof.

13 “(C) TRANSFERS OF QUALIFIED FUNDS.—  
14 If—

15 “(i) any transfer permitted by this  
16 subsection is made to any Fund to which  
17 this section applies, and

18 “(ii) such Fund is transferred there-  
19 after,

20 any deduction under this subsection for taxable  
21 years ending after the date that such Fund is  
22 transferred shall be allowed to the transferor  
23 for the taxable year which includes such date.

24 “(D) SPECIAL RULES.—

1                   “(i) GAIN OR LOSS NOT RECOG-  
2                   NIZED.—No gain or loss shall be recog-  
3                   nized on any transfer permitted by this  
4                   subsection.

5                   “(ii) TRANSFERS OF APPRECIATED  
6                   PROPERTY.—If appreciated property is  
7                   transferred in a transfer permitted by this  
8                   subsection, the amount of the deduction  
9                   shall be the adjusted basis of such prop-  
10                  erty.

11                  “(3) NEW RULING AMOUNT REQUIRED.—Para-  
12                  graph (1) shall not apply to any transfer unless the  
13                  taxpayer requests from the Secretary a new schedule  
14                  of ruling amounts in connection with such transfer.

15                  “(4) NO BASIS IN QUALIFIED FUNDS.—Not-  
16                  withstanding any other provision of law, the tax-  
17                  payer’s basis in any Fund to which this section ap-  
18                  plies shall not be increased by reason of any transfer  
19                  permitted by this subsection.”.

20                  (2) NEW RULING AMOUNT TO TAKE INTO AC-  
21                  COUNT TOTAL COSTS.—Subparagraph (A) of section  
22                  468A(d)(2) is amended to read as follows:

23                  “(A) fund the total nuclear decommis-  
24                  sioning costs with respect to such power plant

1 over the estimated useful life of such power  
2 plant, and”.

3 (d) EFFECTIVE DATE.—The amendments made by  
4 this section shall apply to taxable years beginning after  
5 December 31, 2003.

6 **SEC. 209. TREATMENT OF CERTAIN INCOME OF COOPERA-**  
7 **TIVES.**

8 (a) INCOME FROM OPEN ACCESS AND NUCLEAR DE-  
9 COMMISSIONING TRANSACTIONS.—

10 (1) IN GENERAL.—Subparagraph (C) of section  
11 501(c)(12) is amended by striking “or” at the end  
12 of clause (i), by striking clause (ii), and by adding  
13 at the end the following new clauses:

14 “(ii) from any provision or sale of  
15 transmission service or ancillary services if  
16 such services are provided on a non-  
17 discriminatory open access basis under an  
18 independent transmission provider agree-  
19 ment approved by FERC (other than in-  
20 come received or accrued directly or indi-  
21 rectly from a member),

22 “(iii) from any nuclear decommis-  
23 sioning transaction, or

24 “(iv) from any asset exchange or con-  
25 version transaction.”.

1           (2) DEFINITIONS AND SPECIAL RULES.—Para-  
2       graph (12) of section 501(c) is amended by adding  
3       at the end the following new subparagraphs:

4           “(E) For purposes of this subparagraph  
5       and subparagraph (C)(ii), the term ‘FERC’  
6       means the Federal Energy Regulatory Commis-  
7       sion and references to such term shall be treat-  
8       ed as including the Public Utility Commission  
9       of Texas with respect to any ERCOT utility (as  
10      defined in section 212(k)(2)(B) of the Federal  
11      Power Act (16 U.S.C. 824k(k)(2)(B))).

12          “(F) For purposes of subparagraph  
13      (C)(iii), the term ‘nuclear decommissioning  
14      transaction’ means—

15           “(i) any transfer into a trust, fund, or  
16          instrument established to pay any nuclear  
17          decommissioning costs if the transfer is in  
18          connection with the transfer of the mutual  
19          or cooperative electric company’s interest  
20          in a nuclear power plant or nuclear power  
21          plant unit,

22           “(ii) any distribution from any trust,  
23          fund, or instrument established to pay any  
24          nuclear decommissioning costs, or

1                   “(iii) any earnings from any trust,  
2                   fund, or instrument established to pay any  
3                   nuclear decommissioning costs.

4                   “(G) For purposes of subparagraph  
5                   (C)(iv), the term ‘asset exchange or conversion  
6                   transaction’ means any voluntary exchange or  
7                   involuntary conversion of any property related  
8                   to generating, transmitting, distributing, or sell-  
9                   ing electric energy by a mutual or cooperative  
10                  electric company, the gain from which qualifies  
11                  for deferred recognition under section 1031 or  
12                  1033, but only if the replacement property ac-  
13                  quired by such company pursuant to such sec-  
14                  tion constitutes property which is used, or to be  
15                  used, for—

16                   “(i) generating, transmitting, distrib-  
17                   uting, or selling electric energy, or

18                   “(ii) producing, transmitting, distrib-  
19                   uting, or selling natural gas.”.

20                  (b) TREATMENT OF INCOME FROM LOAD LOSS  
21                  TRANSACTIONS, ETC.—Paragraph (12) of section 501(c),  
22                  as amended by subsection (a)(2), is amended by adding  
23                  after subparagraph (G) the following new subparagraph:

24                   “(H)(i) In the case of a mutual or coopera-  
25                   tive electric company described in this para-

1 graph or an organization described in section  
2 1381(a)(2)(C), income received or accrued from  
3 a load loss transaction shall be treated as an  
4 amount collected from members for the sole  
5 purpose of meeting losses and expenses.

6 “(ii) For purposes of clause (i), the term  
7 ‘load loss transaction’ means any wholesale or  
8 retail sale of electric energy (other than to  
9 members) to the extent that the aggregate sales  
10 during the recovery period does not exceed the  
11 load loss mitigation sales limit for such period.

12 “(iii) For purposes of clause (ii), the load  
13 loss mitigation sales limit for the recovery pe-  
14 riod is the sum of the annual load losses for  
15 each year of such period.

16 “(iv) For purposes of clause (iii), a mutual  
17 or cooperative electric company’s annual load  
18 loss for each year of the recovery period is the  
19 amount (if any) by which—

20 “(I) the megawatt hours of electric  
21 energy sold during such year to members  
22 of such electric company are less than

23 “(II) the megawatt hours of electric  
24 energy sold during the base year to such  
25 members.



1           “(v) For purposes of clause (iv)(II), the  
2 term ‘base year’ means—

3           “(I) the calendar year preceding the  
4 start-up year, or

5           “(II) at the election of the electric  
6 company, the second or third calendar  
7 years preceding the start-up year.

8           “(vi) For purposes of this subparagraph,  
9 the recovery period is the 7-year period begin-  
10 ning with the start-up year.

11           “(vii) For purposes of this subparagraph,  
12 the start-up year is the calendar year which in-  
13 cludes the date of the enactment of this sub-  
14 paragraph or, if later, at the election of the mu-  
15 tual or cooperative electric company—

16           “(I) the first year that such electric  
17 company offers nondiscriminatory open ac-  
18 cess, or

19           “(II) the first year in which at least  
20 10 percent of such electric company’s sales  
21 are not to members of such electric com-  
22 pany.

23           “(viii) A company shall not fail to be treat-  
24 ed as a mutual or cooperative company for pur-  
25 poses of this paragraph or as a corporation op-

1           erating on a cooperative basis for purposes of  
2           section 1381(a)(2)(C) by reason of the treat-  
3           ment under clause (i).

4                   “(ix) For purposes of this subparagraph,  
5           in the case of a mutual or cooperative electric  
6           company, income received, or accrued, indirectly  
7           from a member shall be treated as an amount  
8           collected from members for the sole purpose of  
9           meeting losses and expenses.”.

10       (c) EXCEPTION FROM UNRELATED BUSINESS TAX-  
11   ABLE INCOME.—Subsection (b) of section 512 (relating to  
12   modifications) is amended by adding at the end the fol-  
13   lowing new paragraph:

14                   “(18) TREATMENT OF MUTUAL OR COOPERA-  
15   TIVE ELECTRIC COMPANIES.—In the case of a mu-  
16   tual or cooperative electric company described in sec-  
17   tion 501(c)(12), there shall be excluded income  
18   which is treated as member income under subpara-  
19   graph (H) thereof.”.

20       (d) CROSS REFERENCE.—Section 1381 is amended  
21   by adding at the end the following new subsection:

1 “(c) CROSS REFERENCE.—

“For treatment of income from load loss transactions of organizations described in subsection (a)(2)(C), see section 501(c)(12)(H).”.

2 (e) EFFECTIVE DATE.—The amendments made by  
3 this section shall apply to taxable years beginning after  
4 the date of the enactment of this Act.

5 **SEC. 210. ARBITRAGE RULES NOT TO APPLY TO PREPAY-**  
6 **MENTS FOR NATURAL GAS.**

7 (a) IN GENERAL.—Subsection (b) of section 148 (re-  
8 lating to higher yielding investments) is amended by add-  
9 ing at the end the following new paragraph:

10 “(4) SAFE HARBOR FOR PREPAID NATURAL  
11 GAS.—

12 “(A) IN GENERAL.—The term ‘investment-  
13 type property’ does not include a prepayment  
14 under a qualified natural gas supply contract.

15 “(B) QUALIFIED NATURAL GAS SUPPLY  
16 CONTRACT.—For purposes of this paragraph,  
17 the term ‘qualified natural gas supply contract’  
18 means any contract to acquire natural gas for  
19 resale by a utility owned by a governmental  
20 unit if the amount of gas permitted to be ac-  
21 quired under the contract by the utility during  
22 any year does not exceed the sum of—

23 “(i) the annual average amount dur-  
24 ing the testing period of natural gas pur-

1           chased (other than for resale) by cus-  
2           tomers of such utility who are located  
3           within the service area of such utility, and

4           “(ii) the amount of natural gas to be  
5           used to transport the prepaid natural gas  
6           to the utility during such year.

7           “(C) NATURAL GAS USED TO GENERATE  
8           ELECTRICITY.—Natural gas used to generate  
9           electricity shall be taken into account in deter-  
10          mining the average under subparagraph  
11          (B)(i)—

12           “(i) only if the electricity is generated  
13           by a utility owned by a governmental unit,  
14           and

15           “(ii) only to the extent that the elec-  
16           tricity is sold (other than for resale) to  
17           customers of such utility who are located  
18           within the service area of such utility.

19           “(D) ADJUSTMENTS FOR CHANGES IN  
20          CUSTOMER BASE.—

21           “(i) NEW BUSINESS CUSTOMERS.—  
22          If—

23           “(I) after the close of the testing  
24           period and before the date of issuance  
25           of the issue, the utility owned by a

1 governmental unit enters into a con-  
2 tract to supply natural gas (other  
3 than for resale) for a business use at  
4 a property within the service area of  
5 such utility, and

6 “(II) the utility did not supply  
7 natural gas to such property during  
8 the testing period or the ratable  
9 amount of natural gas to be supplied  
10 under the contract is significantly  
11 greater than the ratable amount of  
12 gas supplied to such property during  
13 the testing period,

14 then a contract shall not fail to be treated  
15 as a qualified natural gas supply contract  
16 by reason of supplying the additional nat-  
17 ural gas under the contract referred to in  
18 subclause (I).

19 “(ii) LOST CUSTOMERS.—The average  
20 under subparagraph (B)(i) shall not exceed  
21 the annual amount of natural gas reason-  
22 ably expected to be purchased (other than  
23 for resale) by persons who are located  
24 within the service area of such utility and

1           who, as of the date of issuance of the  
2           issue, are customers of such utility.

3           “(E) RULING REQUESTS.—The Secretary  
4           may increase the average under subparagraph  
5           (B)(i) for any period if the utility owned by the  
6           governmental unit establishes to the satisfaction  
7           of the Secretary that, based on objective evi-  
8           dence of growth in natural gas consumption or  
9           population, such average would otherwise be in-  
10          sufficient for such period.

11          “(F) ADJUSTMENT FOR NATURAL GAS  
12          OTHERWISE ON HAND.—

13               “(i) IN GENERAL.—The amount oth-  
14               erwise permitted to be acquired under the  
15               contract for any period shall be reduced  
16               by—

17                       “(I) the applicable share of nat-  
18                       ural gas held by the utility on the  
19                       date of issuance of the issue, and

20                       “(II) the natural gas (not taken  
21                       into account under subclause (I))  
22                       which the utility has a right to ac-  
23                       quire during such period (determined  
24                       as of the date of issuance of the  
25                       issue).

1                   “(ii) APPLICABLE SHARE.—For pur-  
2                   poses of the clause (i), the term ‘applicable  
3                   share’ means, with respect to any period,  
4                   the natural gas allocable to such period if  
5                   the gas were allocated ratably over the pe-  
6                   riod to which the prepayment relates.

7                   “(G) INTENTIONAL ACTS.—Subparagraph  
8                   (A) shall cease to apply to any issue if the util-  
9                   ity owned by the governmental unit engages in  
10                  any intentional act to render the volume of nat-  
11                  ural gas acquired by such prepayment to be in  
12                  excess of the sum of—

13                 “(i) the amount of natural gas needed  
14                 (other than for resale) by customers of  
15                 such utility who are located within the  
16                 service area of such utility, and

17                 “(ii) the amount of natural gas used  
18                 to transport such natural gas to the utility.

19                 “(H) TESTING PERIOD.—For purposes of  
20                 this paragraph, the term ‘testing period’ means,  
21                 with respect to an issue, the most recent 5 cal-  
22                 endar years ending before the date of issuance  
23                 of the issue.

1                   “(I) SERVICE AREA.—For purposes of this  
2                   paragraph, the service area of a utility owned  
3                   by a governmental unit shall be comprised of—

4                   “(i) any area throughout which such  
5                   utility provided at all times during the  
6                   testing period—

7                   “(I) in the case of a natural gas  
8                   utility, natural gas transmission or  
9                   distribution services, and

10                  “(II) in the case of an electric  
11                  utility, electricity distribution services,

12                  “(ii) any area within a county contig-  
13                  uous to the area described in clause (i) in  
14                  which retail customers of such utility are  
15                  located if such area is not also served by  
16                  another utility providing natural gas or  
17                  electricity services, as the case may be, and

18                  “(iii) any area recognized as the serv-  
19                  ice area of such utility under State or Fed-  
20                  eral law.”.

21                  (b) PRIVATE LOAN FINANCING TEST NOT TO APPLY  
22                  TO PREPAYMENTS FOR NATURAL GAS.—Paragraph (2) of  
23                  section 141(c) (providing exceptions to the private loan fi-  
24                  nancing test) is amended by striking “or” at the end of  
25                  subparagraph (A), by striking the period at the end of



1 subparagraph (B) and inserting “, or”, and by adding at  
2 the end the following new subparagraph:

3 “(C) is a qualified natural gas supply con-  
4 tract (as defined in section 148(b)(4)).”.

5 (c) EFFECTIVE DATE.—The amendment made by  
6 this section shall apply to obligations issued after the date  
7 of the enactment of this Act.

8 **SEC. 211. PREPAYMENT OF PREMIUM LIABILITY FOR COAL**  
9 **INDUSTRY HEALTH BENEFITS.**

10 (a) IN GENERAL.—Section 9704 (relating to liability  
11 of assigned operators) is amended by adding at the end  
12 the following new subsection:

13 “(j) PREPAYMENT OF PREMIUM LIABILITY.—

14 “(1) IN GENERAL.—If—

15 “(A) any assigned operator who is a mem-  
16 ber of a controlled group of corporations (with-  
17 in the meaning of section 52(a)) makes a pay-  
18 ment meeting the requirements of paragraph  
19 (2) to the Combined Fund, and

20 “(B) the common parent of such group—

21 “(i) is jointly and severally liable for  
22 any premium which would (but for this  
23 subsection) be required to be paid by such  
24 operator, and

1                   “(ii) provides security which meets the  
2                   requirements of paragraph (3),  
3       then no person (other than such common parent)  
4       shall be liable for any premium for which such oper-  
5       ator would otherwise be liable.

6                   “(2) REQUIREMENTS.—A payment meets the  
7       requirements of this paragraph if—

8                   “(A) the amount of the payment is not less  
9                   than the present value of the total premium li-  
10                  ability of the assigned operator for its assignees  
11                  under this chapter with respect to the Com-  
12                  bined Fund (as determined by the operator’s  
13                  enrolled actuary, as defined in section  
14                  7701(a)(35)), using actuarial methods and as-  
15                  sumptions each of which is reasonable and  
16                  which are reasonable in the aggregate, as deter-  
17                  mined by such enrolled actuary,

18                  “(B) a signed actuarial report is filed with  
19                  the Secretary of Labor by such enrolled actuary  
20                  containing—

21                       “(i) the date of the actuarial valuation  
22                       applicable to the report, and

23                       “(ii) a statement by the enrolled actu-  
24                       ary signing the report that to the best of  
25                       the actuary’s knowledge the report is com-

1           plete and accurate and that in the actu-  
2           ary's opinion the actuarial assumptions  
3           used are in the aggregate reasonably re-  
4           lated to the experience of the operator and  
5           to reasonable expectations, and

6           “(C) a description of the security described  
7           in paragraph (3) is filed with the Secretary of  
8           Labor by the common parent, and

9           “(D) 30 calendar days have elapsed after  
10          the report required by subparagraph (B), and  
11          the description required by subparagraph (C),  
12          are filed with the Secretary of Labor, and the  
13          Secretary of Labor has not notified the as-  
14          signed operator in writing that the require-  
15          ments of this paragraph have not been satisfied.

16          “(3) SECURITY.—Security meets the require-  
17          ments of this paragraph if—

18                 “(A) the security (in the form of a bond,  
19                 letter of credit, or cash escrow) is provided to  
20                 the trustees of the 1992 UMWA Benefit Plan,  
21                 solely for the purpose of paying premiums for  
22                 beneficiaries described in section 9712(b)(2)(B),  
23                 equal in amount to one year's liability of the as-  
24                 signed operator under section 9711, determined

1 by using the average cost of such operator's li-  
2 ability during its prior 3 calendar years; and

3 “(B) the security will remain in place for  
4 5 years.

5 “(4) USE OF PREPAYMENT.—Any payment to  
6 which this subsection applies (and earnings thereon)  
7 shall be used exclusively to pay premiums which  
8 would (but for this subsection) be required to be  
9 paid by the assigned operator making such pay-  
10 ment.”

11 (b) EFFECTIVE DATE.—The amendment made by  
12 this section shall take effect on the date of the enactment  
13 of this Act.

## 14 **TITLE III—PRODUCTION**

### 15 **SEC. 301. OIL AND GAS FROM MARGINAL WELLS.**

16 (a) IN GENERAL.—Subpart D of part IV of sub-  
17 chapter A of chapter 1 (relating to business credits) is  
18 amended by adding at the end the following:

#### 19 **“SEC. 45I. CREDIT FOR PRODUCING OIL AND GAS FROM** 20 **MARGINAL WELLS.**

21 “(a) GENERAL RULE.—For purposes of section 38,  
22 the marginal well production credit for any taxable year  
23 is an amount equal to the product of—

24 “(1) the credit amount, and

1           “(2) the qualified credit oil production and the  
2           qualified natural gas production which is attrib-  
3           utable to the taxpayer.

4           “(b) CREDIT AMOUNT.—For purposes of this  
5           section—

6           “(1) IN GENERAL.—The credit amount is—

7                   “(A) \$3 per barrel of qualified crude oil  
8                   production, and

9                   “(B) 50 cents per 1,000 cubic feet of  
10                  qualified natural gas production.

11           “(2) REDUCTION AS OIL AND GAS PRICES IN-  
12           CREASE.—

13                   “(A) IN GENERAL.—The \$3 and 50 cents  
14                   amounts under paragraph (1) shall each be re-  
15                   duced (but not below zero) by an amount which  
16                   bears the same ratio to such amount (deter-  
17                   mined without regard to this paragraph) as—

18                           “(i) the excess (if any) of the applica-  
19                           ble reference price over \$15 (\$1.67 for  
20                           qualified natural gas production), bears to

21                           “(ii) \$3 (\$0.33 for qualified natural  
22                           gas production).

23           The applicable reference price for a taxable  
24           year is the reference price of the calendar year

1 preceding the calendar year in which the tax-  
2 able year begins.

3 “(B) INFLATION ADJUSTMENT.—In the  
4 case of any taxable year beginning in a calendar  
5 year after 2003, each of the dollar amounts  
6 contained in subparagraph (A) shall be in-  
7 creased to an amount equal to such dollar  
8 amount multiplied by the inflation adjustment  
9 factor for such calendar year (determined under  
10 section 43(b)(3)(B) by substituting ‘2002’ for  
11 ‘1990’).

12 “(C) REFERENCE PRICE.—For purposes of  
13 this paragraph, the term ‘reference price’  
14 means, with respect to any calendar year—

15 “(i) in the case of qualified crude oil  
16 production, the reference price determined  
17 under section 29(d)(2)(C), and

18 “(ii) in the case of qualified natural  
19 gas production, the Secretary’s estimate of  
20 the annual average wellhead price per  
21 1,000 cubic feet for all domestic natural  
22 gas.

23 “(c) QUALIFIED CRUDE OIL AND NATURAL GAS  
24 PRODUCTION.—For purposes of this section—

1           “(1) IN GENERAL.—The terms ‘qualified crude  
2           oil production’ and ‘qualified natural gas production’  
3           mean domestic crude oil or natural gas which is pro-  
4           duced from a qualified marginal well.

5           “(2) LIMITATION ON AMOUNT OF PRODUCTION  
6           WHICH MAY QUALIFY.—

7           “(A) IN GENERAL.—Crude oil or natural  
8           gas produced during any taxable year from any  
9           well shall not be treated or qualified crude oil  
10          production or qualified natural gas production  
11          to the extent production from the well during  
12          the taxable year exceeds 1,095 barrels or barrel  
13          equivalents.

14          “(B) PROPORTIONATE REDUCTIONS.—

15               “(i) SHORT TAXABLE YEARS.—In the  
16               case of a short taxable year, the limitations  
17               under this paragraph shall be proportion-  
18               ately reduced to reflect the ratio which the  
19               number of days in such taxable year bears  
20               to 365.

21               “(ii) WELLS NOT IN PRODUCTION EN-  
22               TIRE YEAR.—In the case of a well which is  
23               not capable of production during each day  
24               of a taxable year, the limitations under  
25               this paragraph applicable to the well shall

1 be proportionately reduced to reflect the  
2 ratio which the number of days of produc-  
3 tion bears to the total number of days in  
4 the taxable year.

5 “(3) DEFINITIONS.—

6 “(A) QUALIFIED MARGINAL WELL.—The  
7 term ‘qualified marginal well’ means a domestic  
8 well—

9 “(i) the production from which during  
10 the taxable year is treated as marginal  
11 production under section 613A(c)(6), or

12 “(ii) which, during the taxable year—

13 “(I) has average daily production  
14 of not more than 25 barrel equiva-  
15 lents, and

16 “(II) produces water at a rate  
17 not less than 95 percent of total well  
18 effluent.

19 “(B) CRUDE OIL, ETC.—The terms ‘crude  
20 oil’, ‘natural gas’, ‘domestic’, and ‘barrel’ have  
21 the meanings given such terms by section  
22 613A(e).

23 “(C) BARREL EQUIVALENT.—The term  
24 ‘barrel equivalent’ means, with respect to nat-



1            ural gas, a conversion ratio of 6,000 cubic  
2            feet of natural gas to 1 barrel of crude oil.

3            “(d) OTHER RULES.—

4            “(1) PRODUCTION ATTRIBUTABLE TO THE TAX-  
5            PAYER.—In the case of a qualified marginal well in  
6            which there is more than one owner of operating in-  
7            terests in the well and the crude oil or natural gas  
8            production exceeds the limitation under subsection  
9            (c)(2), qualifying crude oil production or qualifying  
10           natural gas production attributable to the taxpayer  
11           shall be determined on the basis of the ratio which  
12           taxpayer’s revenue interest in the production bears  
13           to the aggregate of the revenue interests of all oper-  
14           ating interest owners in the production.

15           “(2) OPERATING INTEREST REQUIRED.—Any  
16           credit under this section may be claimed only on  
17           production which is attributable to the holder of an  
18           operating interest.

19           “(3) PRODUCTION FROM NONCONVENTIONAL  
20           SOURCES EXCLUDED.—In the case of production  
21           from a qualified marginal well which is eligible for  
22           the credit allowed under section 29 for the taxable  
23           year, no credit shall be allowable under this section  
24           unless the taxpayer elects not to claim the credit  
25           under section 29 with respect to the well.”.

1       (b) CREDIT TREATED AS BUSINESS CREDIT.—Sec-  
2       tion 38(b) is amended by striking “plus” at the end of  
3       paragraph (16), by striking the period at the end of para-  
4       graph (17) and inserting “, plus”, and by adding at the  
5       end the following:

6               “(18) the marginal oil and gas well production  
7       credit determined under section 45I(a).”.

8       (c) CARRYBACK.—Subsection (a) of section 39 (relat-  
9       ing to carryback and carryforward of unused credits gen-  
10      erally) is amended by adding at the end the following:

11              “(3) 10-YEAR CARRYBACK FOR MARGINAL OIL  
12      AND GAS WELL PRODUCTION CREDIT.—In the case  
13      of the marginal oil and gas well production credit—

14              “(A) this section shall be applied sepa-  
15      rately from the business credit (other than the  
16      marginal oil and gas well production credit),

17              “(B) paragraph (1) shall be applied by  
18      substituting ‘10 taxable years’ for ‘1 taxable  
19      years’ in subparagraph (A) thereof, and

20              “(C) paragraph (2) shall be applied—

21              “(i) by substituting ‘31 taxable years’  
22      for ‘21 taxable years’ in subparagraph (A)  
23      thereof, and

1 “(ii) by substituting ‘30 taxable years’  
2 for ‘20 taxable years’ in subparagraph (A)  
3 thereof.”.

4 (d) COORDINATION WITH SECTION 29.—Section  
5 29(a) is amended by striking “There” and inserting “At  
6 the election of the taxpayer, there”.

7 (e) CLERICAL AMENDMENT.—The table of sections  
8 for subpart D of part IV of subchapter A of chapter 1  
9 is amended by adding at the end the following:

“Sec. 45L. Credit for producing oil and gas from marginal wells.”.

10 (f) EFFECTIVE DATE.—The amendments made by  
11 this section shall apply to production in taxable years be-  
12 ginning after December 31, 2003.

13 **SEC. 302. TEMPORARY SUSPENSION OF LIMITATION BASED**  
14 **ON 65 PERCENT OF TAXABLE INCOME AND**  
15 **EXTENSION OF SUSPENSION OF TAXABLE IN-**  
16 **COME LIMIT WITH RESPECT TO MARGINAL**  
17 **PRODUCTION.**

18 (a) LIMITATION BASED ON 65 PERCENT OF TAX-  
19 ABLE INCOME.—Subsection (d) of section 613A (relating  
20 to limitation on percentage depletion in case of oil and  
21 gas wells) is amended by adding at the end the following  
22 new paragraph:

23 “(6) TEMPORARY SUSPENSION OF TAXABLE IN-  
24 COME LIMIT.—Paragraph (1) shall not apply to tax-  
25 able years beginning after December 31, 2003, and

1 before January 1, 2007, including with respect to  
2 amounts carried under the second sentence of para-  
3 graph (1) to such taxable years.”.

4 (b) EXTENSION OF SUSPENSION OF TAXABLE IN-  
5 COME LIMIT WITH RESPECT TO MARGINAL PRODUC-  
6 TION.—Subparagraph (H) of section 613A(c)(6) (relating  
7 to temporary suspension of taxable income limit with re-  
8 spect to marginal production) is amended by striking  
9 “2004” and inserting “2007”.

10 (c) EFFECTIVE DATE.—The amendment made by  
11 subsection (a) shall apply to taxable years beginning after  
12 December 31, 2003.

13 **SEC. 303. AMORTIZATION OF DELAY RENTAL PAYMENTS.**

14 (a) IN GENERAL.—Section 167 (relating to deprecia-  
15 tion) is amended by redesignating subsection (h) as sub-  
16 section (i) and by inserting after subsection (g) the fol-  
17 lowing new subsection:

18 “(h) AMORTIZATION OF DELAY RENTAL PAYMENTS  
19 FOR DOMESTIC OIL AND GAS WELLS.—

20 “(1) IN GENERAL.—Any delay rental payment  
21 paid or incurred in connection with the development  
22 of oil or gas wells within the United States (as de-  
23 fined in section 638) shall be allowed as a deduction  
24 ratably over the 24-month period beginning on the  
25 date that such payment was paid or incurred.

1           “(2) HALF-YEAR CONVENTION.—For purposes  
2           of paragraph (1), any payment paid or incurred dur-  
3           ing the taxable year shall be treated as paid or in-  
4           curred on the mid-point of such taxable year.

5           “(3) EXCLUSIVE METHOD.—Except as provided  
6           in this subsection, no depreciation or amortization  
7           deduction shall be allowed with respect to such pay-  
8           ments.

9           “(4) TREATMENT UPON ABANDONMENT.—If  
10          any property to which a delay rental payment relates  
11          is retired or abandoned during the 24-month period  
12          described in paragraph (1), no deduction shall be al-  
13          lowed on account of such retirement or abandon-  
14          ment and the amortization deduction under this sub-  
15          section shall continue with respect to such payment.

16          “(5) DELAY RENTAL PAYMENTS.—For purposes  
17          of this subsection, the term ‘delay rental payment’  
18          means an amount paid for the privilege of deferring  
19          development of an oil or gas well under an oil or gas  
20          lease.”.

21          (b) EFFECTIVE DATE.—The amendment made by  
22          this section shall apply to amounts paid or incurred in tax-  
23          able years beginning after December 31, 2003.

1 **SEC. 304. AMORTIZATION OF GEOLOGICAL AND GEO-**  
2 **PHYSICAL EXPENDITURES.**

3 (a) IN GENERAL.—Section 167 (relating to deprecia-  
4 tion) is amended by redesignating subsection (i) as sub-  
5 section (j) and by inserting after subsection (h) the fol-  
6 lowing new subsection:

7 “(i) AMORTIZATION OF GEOLOGICAL AND GEO-  
8 PHYSICAL EXPENDITURES.—

9 “(1) IN GENERAL.—Any geological and geo-  
10 physical expenses paid or incurred in connection  
11 with the exploration for, or development of, oil or  
12 gas within the United States (as defined in section  
13 638) shall be allowed as a deduction ratably over the  
14 24-month period beginning on the date that such ex-  
15 pense was paid or incurred.

16 “(2) SPECIAL RULES.—For purposes of this  
17 subsection, rules similar to the rules of paragraphs  
18 (2), (3), and (4) of subsection (h) shall apply.”.

19 (b) EFFECTIVE DATE.—The amendment made by  
20 this section shall apply to costs paid or incurred in taxable  
21 years beginning after December 31, 2003.

22 **SEC. 305. EXTENSION AND MODIFICATION OF CREDIT FOR**  
23 **PRODUCING FUEL FROM A NONCONVEN-**  
24 **TIONAL SOURCE.**

25 (a) IN GENERAL.—Section 29 is amended by adding  
26 at the end the following new subsection:

1 “(h) EXTENSION FOR OTHER FACILITIES.—

2 “(1) EXTENSION FOR OIL AND CERTAIN GAS.—

3 In the case of a well for producing qualified fuels de-  
4 scribed in subparagraph (A) or (B)(i) of subsection  
5 (c)(1)—

6 “(A) APPLICATION OF CREDIT FOR NEW  
7 WELLS.—Notwithstanding subsection (f), this  
8 section shall apply with respect to such fuels—

9 “(i) which are produced from a well  
10 drilled after the date of the enactment of  
11 this subsection and before January 1,  
12 2007, and

13 “(ii) which are sold not later than the  
14 close of the 4-year period beginning on the  
15 date that such well is drilled, or, if earlier,  
16 January 1, 2010.

17 “(B) EXTENSION OF CREDIT FOR OLD  
18 WELLS.—Subsection (f)(2) shall be applied by  
19 substituting ‘2007’ for ‘2003’ with respect to  
20 wells described in subsection (f)(1)(A) with re-  
21 spect to such fuels.

22 “(2) EXTENSION FOR FACILITIES PRODUCING  
23 QUALIFIED FUEL FROM LANDFILL GAS.—

24 “(A) IN GENERAL.—In the case of a facil-  
25 ity for producing qualified fuel from landfill gas

1 which was placed in service after June 30,  
2 1998, and before January 1, 2007, this section  
3 shall apply to fuel produced at such facility dur-  
4 ing the 5-year period beginning on the later  
5 of—

6 “(i) the date such facility was placed  
7 in service, or

8 “(ii) the date of the enactment of this  
9 subsection.

10 “(B) REDUCTION OF CREDIT FOR CERTAIN  
11 LANDFILL FACILITIES.—In the case of a facility  
12 to which paragraph (1) applies and which is lo-  
13 cated at a landfill which is required pursuant to  
14 40 CFR 60.751(b)(2) or 40 CFR 60.33c to in-  
15 stall and operate a collection and control system  
16 which captures gas generated within the land-  
17 fill, subsection (a)(1) shall be applied to gas so  
18 captured by substituting ‘\$2’ for ‘\$3’ for the  
19 taxable year during which such system is re-  
20 quired to be installed and operated.

21 “(3) SPECIAL RULES.—In determining the  
22 amount of credit allowable under this section solely  
23 by reason of this subsection—

24 “(A) DAILY LIMIT.—The amount of quali-  
25 fied fuels sold during any taxable year which



1           may be taken into account by reason of this  
2           subsection with respect to any project shall not  
3           exceed an average barrel-of-oil equivalent of  
4           200,000 cubic feet of natural gas per day. Days  
5           before the date the project is placed in service  
6           shall not be taken into account in determining  
7           such average.

8           “(B) EXTENSION PERIOD TO COMMENCE  
9           WITH UNADJUSTED CREDIT AMOUNT.—In the  
10          case of fuels sold during 2003, the dollar  
11          amount applicable under subsection (a)(1) shall  
12          be \$3 (without regard to subsection (b)(2)). In  
13          the case of fuels sold after 2003, subparagraph  
14          (B) of subsection (d)(2) shall be applied by sub-  
15          stituting ‘2003’ for ‘1979’.”.

16       (b) TREATMENT AS BUSINESS CREDIT.—

17           (1) CREDIT MOVED TO SUBPART RELATING TO  
18          BUSINESS RELATED CREDITS.—The Internal Rev-  
19          enue Code of 1986 is amended by redesignating sec-  
20          tion 29 as section 45J and by moving section 45J  
21          (as so redesignated) from subpart B of part IV of  
22          subchapter A of chapter 1 to the end of subpart D  
23          of part IV of subchapter A of chapter 1.

24           (2) CREDIT TREATED AS BUSINESS CREDIT.—  
25          Section 38(b) is amended by striking “plus” at the

1 end of paragraph (17), by striking the period at the  
2 end of paragraph (18) and inserting “, plus”, and  
3 by adding at the end the following:

4 “(19) the nonconventional source production  
5 credit determined under section 45J(a).”.

6 (3) CONFORMING AMENDMENTS.—

7 (A) Section 30(b)(2)(A) is amended by  
8 striking “sections 27 and 29” and inserting  
9 “section 27”.

10 (B) Section 39(d) is amended by adding at  
11 the end the following new paragraph:

12 “(13) NO CARRYBACK FOR NONCONVENTIONAL  
13 SOURCE PRODUCTION CREDIT.—No portion of the  
14 unused business credit for any taxable year which is  
15 attributable to the credit under section 45J may be  
16 carried back to a taxable year ending before the date  
17 of the enactment of section 45J.”.

18 (C) Sections 43(b)(2), 45I(b)(2)(C), and  
19 613A(c)(6)(C) are each amended by striking  
20 “section 29(d)(2)(C)” and inserting “section  
21 45J(d)(2)(C)”.

22 (D) Paragraph (9) of section 45(c) is  
23 amended by striking “section 29” and inserting  
24 “section 45J” and by striking “SECTION 29” in

1 the heading of such paragraph and inserting  
2 “SECTION 45J”.

3 (E) Section 45I(d)(3) is amended by strik-  
4 ing “section 29” each place it appears and in-  
5 serting “section 45J”.

6 (F) Section 45J(a) is amended by striking  
7 “At the election of the taxpayer, there shall be  
8 allowed as a credit against the tax imposed by  
9 this chapter for the taxable year” and inserting  
10 “For purposes of section 38, if the taxpayer  
11 elects to have this section apply, the nonconven-  
12 tional source production credit determined  
13 under this section for the taxable year is”.

14 (G) Section 53(d)(1)(B)(iii) is amended by  
15 striking “section 29” and all that follows  
16 through “or not allowed”.

17 (H) Section 55(c)(2) is amended by strik-  
18 ing “29(b)(6),”.

19 (I) Subsection (a) of section 772 is amend-  
20 ed by inserting “and” at the end of paragraph  
21 (9), by striking paragraph (10), and by redesign-  
22 ating paragraph (11) as paragraph (10).

23 (J) Paragraph (5) of section 772(d) is  
24 amended by striking “the foreign tax credit,

1 and the credit allowable under section 29” and  
2 inserting “and the foreign tax credit”.

3 (K) The table of sections for subpart B of  
4 part IV of subchapter A of chapter 1 is amend-  
5 ed by striking the item relating to section 29.

6 (L) The table of sections for subpart D of  
7 part IV of subchapter A of chapter 1 is amend-  
8 ed by inserting after the item relating to section  
9 45I the following new item:

“Sec. 45J. Credit for producing fuel from a nonconventional  
source.”.

10 (c) EFFECTIVE DATE.—The amendment made by  
11 this section shall apply to fuel sold after March 31, 2003.

12 **SEC. 306. BUSINESS RELATED ENERGY CREDITS ALLOWED**  
13 **AGAINST REGULAR AND MINIMUM TAX.**

14 (a) IN GENERAL.—Subsection (c) of section 38 (re-  
15 lating to limitation based on amount of tax) is amended  
16 by redesignating paragraph (4) as paragraph (5) and by  
17 inserting after paragraph (3) the following new paragraph:

18 “(4) SPECIAL RULES FOR SPECIFIED ENERGY  
19 CREDITS.—

20 “(A) IN GENERAL.—In the case of speci-  
21 fied energy credits—

22 “(i) this section and section 39 shall  
23 be applied separately with respect to such  
24 credits, and

1 “(ii) in applying paragraph (1) to  
2 such credits—

3 “(I) the tentative minimum tax  
4 shall be treated as being zero, and

5 “(II) the limitation under para-  
6 graph (1) (as modified by subclause  
7 (I)) shall be reduced by the credit al-  
8 lowed under subsection (a) for the  
9 taxable year (other than the specified  
10 energy credits).

11 “(B) SPECIFIED ENERGY CREDITS.—For  
12 purposes of this subsection, the term ‘specified  
13 energy credits’ means the credits determined  
14 under sections 45G, 45H, and 45I.

15 “(C) SPECIAL RULE FOR QUALIFIED WIND  
16 FACILITIES.—For purposes of this subsection,  
17 the term ‘specified energy credits’ shall include  
18 the credit determined under section 45 only to  
19 the extent that such credit is attributable to  
20 electricity produced—

21 “(i) at a facility using wind to  
22 produce electricity which is originally  
23 placed in service after the date of the en-  
24 actment of this paragraph, and

1 “(ii) during the 4-year period begin-  
2 ning on the date that such facility was  
3 originally placed in service.”.

4 (b) CONFORMING AMENDMENTS.—Paragraphs  
5 (2)(A)(ii)(II) and (3)(A)(ii)(II) of section 38(c) are each  
6 amended by inserting “or the specified energy credits”  
7 after “employee credit”.

8 (c) EFFECTIVE DATE.—The amendments made by  
9 this section shall apply to taxable years ending after the  
10 date of the enactment of this Act.

11 **SEC. 307. TEMPORARY REPEAL OF ALTERNATIVE MINIMUM**  
12 **TAX PREFERENCE FOR INTANGIBLE DRILL-**  
13 **ING COSTS.**

14 (a) IN GENERAL.—Clause (ii) of section 57(a)(2)(E)  
15 is amended by adding at the end the following new sen-  
16 tence: “The preceding sentence shall not apply to taxable  
17 years beginning after December 31, 2003, and before Jan-  
18 uary 1, 2006.”.

19 (b) EFFECTIVE DATE.—The amendment made by  
20 this section shall apply to taxable years beginning after  
21 December 31, 2003.

22 **SEC. 308. ALLOWANCE OF ENHANCED RECOVERY CREDIT**  
23 **AGAINST THE ALTERNATIVE MINIMUM TAX.**

24 (a) IN GENERAL.—Subparagraph (B) of section  
25 38(c)(4), as amended by section 306, is amended by add-

1 ing at the end the following new sentence: “For taxable  
2 years beginning after December 31, 2003, and before Jan-  
3 uary 1, 2006, such term includes the credit determined  
4 under section 43.”.

5 (b) EFFECTIVE DATE.—The amendment made by  
6 this section shall apply to taxable years beginning after  
7 December 31, 2003.

## 8 **TITLE IV—CORPORATE** 9 **EXPATRIATION**

### 10 **SEC. 401. TAX TREATMENT OF CORPORATE EXPATRIATION.**

11 (a) IN GENERAL.—Subchapter C of chapter 80 (re-  
12 lating to provisions affecting more than one subtitle) is  
13 amended by adding at the end the following new section:

#### 14 **“SEC. 7874. TAX TREATMENT OF CORPORATE EXPATRIA- 15 TION.**

16 “(a) INVERTED CORPORATIONS TREATED AS DOMES-  
17 TIC CORPORATIONS.—

18 “(1) IN GENERAL.—If a foreign incorporated  
19 entity is treated as an inverted domestic corporation,  
20 then, notwithstanding section 7701(a)(4), such enti-  
21 ty shall be treated for purposes of this title as a do-  
22 mestic corporation.

23 “(2) INVERTED DOMESTIC CORPORATION.—For  
24 purposes of this section, a foreign incorporated enti-  
25 ty shall be treated as an inverted domestic corpora-

1       tion if, pursuant to a plan (or a series of related  
2       transactions)—

3               “(A) the entity completes after March 4,  
4               2003, the direct or indirect acquisition of sub-  
5               stantially all of the properties held directly or  
6               indirectly by a domestic corporation or substan-  
7               tially all of the properties constituting a trade  
8               or business of a domestic partnership,

9               “(B) after the acquisition at least 80 per-  
10              cent of the stock (by vote or value) of the entity  
11              is held—

12               “(i) in the case of an acquisition with  
13               respect to a domestic corporation, by  
14               former shareholders of the domestic cor-  
15               poration by reason of holding stock in the  
16               domestic corporation, or

17               “(ii) in the case of an acquisition with  
18               respect to a domestic partnership, by  
19               former partners of the domestic partner-  
20               ship by reason of holding a capital or prof-  
21               its interest in the domestic partnership,  
22               and

23               “(C) the expanded affiliated group which  
24               after the acquisition includes the entity does  
25               not have substantial business activities in the



1 foreign country in which or under the law of  
2 which the entity is created or organized when  
3 compared to the total business activities of such  
4 expanded affiliated group.

5 “(3) TERMINATION.—This subsection shall not  
6 apply to any acquisition completed after December  
7 31, 2004.

8 “(b) DEFINITIONS AND SPECIAL RULES.—For pur-  
9 poses of this section—

10 “(1) FOREIGN INCORPORATED ENTITY.—The  
11 term ‘foreign incorporated entity’ means any entity  
12 which is, or but for subsection (a) would be, treated  
13 as a foreign corporation for purposes of this title.

14 “(2) EXPANDED AFFILIATED GROUP.—The  
15 term ‘expanded affiliated group’ means an affiliated  
16 group as defined in section 1504(a) but without re-  
17 gard to paragraphs (2), (3), and (4) of section  
18 1504(b), except that section 1504(a) shall be applied  
19 by substituting ‘more than 50 percent’ for ‘at least  
20 80 percent’ each place it appears.

21 “(3) CERTAIN STOCK DISREGARDED.—There  
22 shall not be taken into account in determining own-  
23 ership under subsection (a)(3)(B)—

1                   “(i) stock held by members of the ex-  
2                   panded affiliated group which includes the  
3                   foreign incorporated entity, or

4                   “(ii) stock of such foreign incor-  
5                   porated entity which is sold in a public of-  
6                   fering related to the acquisition described  
7                   in subsection (a)(3)(A).

8                   “(4) PLAN DEEMED IN CERTAIN CASES.—If a  
9                   foreign incorporated entity acquires directly or indi-  
10                  rectly substantially all of the properties of a domes-  
11                  tic corporation or partnership during the 4-year pe-  
12                  riod beginning on the date which is 2 years before  
13                  the ownership requirements of subsection (a)(3)(B)  
14                  are met, such actions shall be treated as pursuant  
15                  to a plan.

16                  “(5) CERTAIN TRANSFERS DISREGARDED.—The  
17                  transfer of properties or liabilities (including by con-  
18                  tribution or distribution) shall be disregarded if such  
19                  transfers are part of a plan a principal purpose of  
20                  which is to avoid the purposes of this section.

21                  “(6) SPECIAL RULE FOR RELATED PARTNER-  
22                  SHIPS.—For purposes of applying subsection  
23                  (a)(3)(B) to the acquisition of a domestic partner-  
24                  ship, except as provided in regulations, all partner-  
25                  ships which are under common control (within the

1 meaning of section 482) shall be treated as 1 part-  
2 nership.

3 “(7) REGULATIONS.—The Secretary shall pre-  
4 scribe such regulations as may be appropriate to de-  
5 termine whether a corporation is an inverted domes-  
6 tic corporation, including regulations—

7 “(A) to treat warrants, options, contracts  
8 to acquire stock, convertible debt interests, and  
9 other similar interests as stock, and

10 “(B) to treat stock as not stock.

11 “(c) SPECIAL RULE FOR TREATIES.—Nothing in sec-  
12 tion 894 or 7852(d) or in any other provision of law shall  
13 be construed as permitting an exemption, by reason of any  
14 treaty obligation of the United States heretofore or here-  
15 after entered into, from the provisions of this section.

16 “(d) REGULATIONS.—The Secretary shall provide  
17 such regulations as are necessary to carry out this section,  
18 including regulations providing for such adjustments to  
19 the application of this section as are necessary to prevent  
20 the avoidance of the purposes of this section, including the  
21 avoidance of such purposes through—

22 “(1) the use of related persons, pass-through or  
23 other noncorporate entities, or other intermediaries,  
24 or

1           “(2) transactions designed to have persons  
2           cease to be (or not become) members of expanded  
3           affiliated groups or related persons.”.

4           (b) CONFORMING AMENDMENT.—The table of sec-  
5           tions for subchapter C of chapter 80 is amended by adding  
6           at the end the following new item:

                  “Sec. 7874. Tax treatment of corporate expatriation.”

7           (c) EFFECTIVE DATE.—The amendments made by  
8           this section shall apply to taxable years ending after  
9           March 4, 2003.

10   **SEC. 402. EXPRESSING THE SENSE OF THE CONGRESS THAT**  
11                   **TAX REFORM IS NEEDED TO ADDRESS THE**  
12                   **ISSUE OF CORPORATE EXPATRIATION.**

13           (a) FINDINGS.—The Congress finds that—

14                   (1) the tax laws of the United States are overly  
15           complex;

16                   (2) the tax laws of the United States are among  
17           the most burdensome and uncompetitive in the  
18           world;

19                   (3) the tax laws of the United States make it  
20           difficult for domestically-owned United States com-  
21           panies to compete abroad and in the United States;

22                   (4) a domestically-owned corporation is dis-  
23           advantaged compared to a United States subsidiary  
24           of a foreign-owned corporation; and

1           (5) international competitiveness is forcing  
2       many United States corporations to make a choice  
3       they do not want to make—go out of business, sell  
4       the business to a foreign competitor, or become a  
5       subsidiary of a foreign corporation (i.e., engage in  
6       an inversion transaction).

7       (b) SENSE OF CONGRESS.—It is the sense of Con-  
8       gress that passage of legislation to fix the underlying prob-  
9       lems with our tax laws is essential and should occur as  
10      soon as possible, so United States corporations will not  
11      face the current pressures to engage in inversion trans-  
12      actions.